

ARIZONA AMERICAN WATER COMPANY, INC.
(PARADISE VALLEY WATER DISTRICT)

DOCKET NO. W-01303A-05-0405

DIRECT TESTIMONY

OF

RODNEY L. MOORE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JANUARY 17, 2006

1	TABLE OF CONTENTS	
2	INTRODUCTION	1
3	BACKGROUND	2
4	SUMMARY OF ADJUSTMENTS	3
5	REVENUE REQUIREMENTS.....	5
6	OPERATING INCOME	6
7	ADJUSTMENT NO. 1 – RECLASSIFIED OFFICE LEASE	7
8	ADJUSTMENT NO. 2 – NORMALIZED GROUP INSURANCE	7
9	ADJUSTMENT NO. 3 – NORMALIZED OPEB EXPENSES	8
10	ADJUSTMENT NO. 4 – RATE CASE EXPENSE.....	9
11	ADJUSTMENT NO. 5 – PENSION EXPENSES	13
12	ADJUSTMENT NO. 6 – MATERIALS & SUPPLIES WRITE-OFF	15
13	ADJUSTMENT NO. 7 – NORMALIZED PAYROLL.....	16
14	ADJUSTMENT NO. 8 – TEST-YEAR DEPRECIATION EXPENSE	19
15	ADJUSTMENT NO. 9 – PROPERTY TAX COMPUTATIONS	21
16	ADJUSTMENT NO. 10 – PROPERTY TAX COMPUTATIONS	22
17	ADJUSTMENT NO. 11 – NORMALIZED PAYROLL TAXES	25
18	ADJUSTMENT NO. 12 – ADMIN. & GEN. CORP. ALLOCATION	26
19	ADJUSTMENT NO. 13 – CAPITALIZED O & M EXPENSES	31
20	ADJUSTMENT NO. 16 – INCOME TAX EXPENSE.....	32
21	ARSENIC COST RECOVERY MECHANISM	32

1 **INTRODUCTION**

2 Q. Please state your name, position, employer and address.

3 A. Rodney L. Moore, Public Utilities Analyst V

4 Residential Utility Consumer Office ("RUCO")

5 1110 West Washington Street, Suite 220

6 Phoenix, Arizona 85007.

7

8 Q. Please state your educational background and qualifications in the utility
9 regulation field.

10 A. Appendix 1, which is attached to this testimony, describes my educational
11 background and includes a list of the rate case and regulatory matters in
12 which I have participated.

13

14 Q. Please state the purpose of your testimony.

15 A. The purpose of my testimony is to present RUCO's recommendations
16 regarding Arizona-American Water Company, Inc. ("Company" or
17 "Arizona-American") application for a determination of the current fair
18 value of its utility plant and property and for increases in its rates and
19 charges based thereon for utility service by its Paradise Valley Water
20 District ("PV Water"). The test year utilized by the Company in connection
21 with the preparation of this application is the 12-month period that ended
22 December 10, 2004.

23 . . .

BACKGROUND

Q. Please describe your work effort on this project.

A. I obtained and reviewed data and performed analytical procedures necessary to understand the Company's filing as it relates to the operating income and revenue requirements. My recommendations are based on these analyses. Procedures performed include the in-house formulation and analysis of ten sets of Data Requests, the review and analysis of Company responses to Commission Staff Data Requests, on-site inspection and conversations with Company personnel.

The Commission in Decision No. 61831, dated July 20, 1999, approved the Company's present rates and charges for utility service. The test year used in that proceeding was the 12-month period ending June 30, 1998.

Q. What areas will you address in your testimony?

A. I will address issues related to operating income, arsenic cost recovery mechanism ("ACRM"), and revenue requirements. RUCO's witness William A. Rigsby will provide an analysis of the cost of capital. RUCO's witness Timothy J. Coley will address issues related to rate base and rate design. Finally, RUCO's witness Marylee Diaz Cortez will provide an analysis of the public safety surcharge and the high-block usage surcharge.

...

1 Q. Please identify the exhibits you are sponsoring.

2 A. I am sponsoring Schedules numbered RLM-1 through RLM-13.

3

4 **SUMMARY OF ADJUSTMENTS**

5 Q. Please summarize the adjustments to rate base, operating income and
6 revenue requirement issues addressed in your testimony.

7 A. My testimony addresses the following issues:

8 **Operating Income**

9 Office Lease Reclassification – Company and RUCO agree to recognize
10 the erroneous recording of the lease payments.

11 Group Insurance Normalization – RUCO made adjustments to the
12 insurance costs, employee contributions and percentage of capitalized
13 labor when calculating the normalized group insurance expense.

14 Other Post-Retirement Employee Benefits Expense Normalization –
15 RUCO made an adjustment to the percentage of capitalized labor when
16 calculating the normalized other post-retirement employee benefits
17 (“OPEB”) expense.

18 Rate Case Expense Normalization And Amortization – The adjustment is
19 based on RUCO’s determination of the fair and reasonable cost to PV
20 Water ratepayers for this application process.

21 . . .

22 . . .

23 . . .

1 Pension Expenses Not Posted To General Ledger - RUCO made
2 adjustments to the number of Arizona-American active pension
3 participants, and the number of equivalent employees working for PV
4 Water when calculating the pension expense.

5 Materials And Supplies Reclassification, Normalization And Amortization –
6 RUCO disallowed this adjustment, since the Company was already being
7 compensated through the Corporate Office allocation.

8 Operation And Maintenance Labor Normalization – RUCO made
9 adjustments to the employee count, hours worked at PV Water and
10 percentage of annual labor attributable to PV Water when calculating the
11 normalized labor expense.

12 Depreciation Expense – RUCO made adjustments to the test-year gross
13 plant in service, amortization of the Mummy Mountain acquisition and the
14 amortization of the ratepayers' portion of the "gain on the sale of land"
15 when calculating the depreciation expense.

16 Property Taxes Expense – The first adjustment removes property taxes
17 associated with the Miller Road Treatment Facility ("MRTF"). The second
18 adjustment reflects the Company's property tax based on the use of the
19 Arizona Department of Revenue ("ADOR") formula.

20 Payroll Tax Normalization – This adjustment reflects the appropriate level
21 of payroll tax expense given RUCO's recommended level of operations
22 and maintenance labor.

23 . . .

1 RUCO Adjustments To Administration And General Allocated Expenses –

2 This adjustment reflects RUCO's position that certain categories of
3 expenses should not be the financial burden of the ratepayers.

4 RUCO Adjustment To Capitalize Expenses – Company and RUCO agree
5 to capitalize certain operations and maintenance expenses.

6 Income Tax - This adjustment reflects income tax expenses calculated on
7 RUCO's recommended revenues and expenses.

8

9 **REVENUE REQUIREMENTS**

10 Q. Please summarize the results of RUCO's analysis of the Company's filing
11 and state RUCO's recommended revenue requirement.

12 A. As outlined in Schedule RLM-1, RUCO is recommending that the
13 Company's revenue requirement not exceed:

14	<u>ARIZONA-AMERICAN</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
15	\$5,348,660	\$4,628,319	(\$720,341)

16

17 RUCO's recommended decrease in Fair Value Rate Base ("FVRB") is
18 based on the Original Cost Rate Base ("OCRB") and is summarized on
19 Schedule RLM-1:

20	<u>ARIZONA-AMERICAN</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
21	\$11,651,216	\$10,898,953	(\$752,263)

22 . . .

23 . . .

1 The detail supporting RUCO's recommended rate base is presented in the
2 testimony of RUCO's witness Timothy J. Coley.

3
4 My recommended decrease in required operating income is shown on
5 Schedule RLM-1 as:

6	<u>ARIZONA-AMERICAN</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
7	\$277,980	(\$442,361)	(\$720,341)

8
9 RUCO's recommended revenue requirement percentage decrease versus
10 the Company's proposal is as follows:

11	<u>ARIZONA-AMERICAN</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
12	5.48 %	-8.72 %	-14.20 %

13
14 Schedule RLM-1 presents the calculation of RUCO's recommended
15 revenue requirement.

16

17 **OPERATING INCOME**

18 Operating Income Summary

19 Q. Is RUCO recommending any changes to the Company's proposed
20 operating expenses?

21 A. Yes. As shown on Schedule RLM-3, pages 1 through 4, columns (A)
22 through (P), I analyzed the Company's twenty-nine adjustments to its
23 historical test-year operating income and made thirteen adjustments to the

1 operating income as filed by the Company. My review, analysis and
2 adjustments are explained below.

3

4 Operating Income Adjustment No. 1 – Reclassification of Office Lease

5 Q. Please discuss the reason for reclassifying the office lease expense.

6 A. Through discovery, RUCO agreed with Arizona-American's adjustment to
7 normalize and reclassify the office lease expenses.

8

9 However, as stated in the response to RUCO Data Request 7.04.e, the
10 Company agreed that a portion of the test-year lease payments was
11 erroneously recorded in the Administration and General account.

12

13 Therefore, both the Company and RUCO agree to reclassify the
14 erroneously recorded portion of the office lease expenses.

15

16 As shown on Schedule RLM-3, page 1, column (A), line 22, this
17 adjustment decreases adjusted test-year expenses by:
18 (\$14,593).

19

20 Operating Income Adjustment No. 2 – Normalized Group Insurance

21 Q. Please explain your adjustment to the group insurance expense.

22 A. My adjustment to determine the normalized level of group insurance
23 expense consists of three elements. First, I adjusted the projected annual

1 costs of the group insurance. Second, I adjusted the employee
2 contribution credit. Third, I adjusted the percentage of capitalized labor.

3

4 Q. Please explain the basis of the three elements of your adjustment.

5 A. All three adjustments are based on my computation of the percentage of
6 each employee's time allocated to PV Water, which differs from the
7 Company's pro forma percentage.

8

9 As outlined in Schedule RLM-4, I determined the level of group insurance
10 expense using all the same parameters as the Company did except the
11 percentage of each employee's time allocated to PV Water.

12

13 My computation of the percentage of each employee's time allocated to
14 PV Water is explained in Adjustment No. 7 below.

15

16 As shown on Schedule RLM-3, page 1, column (B), line 22, this
17 adjustment decreases adjusted test-year expenses by:
18 (\$2,972).

19

20 Operating Income Adjustment No. 3 – OPEB Expense Normalization

21 Q. Please explain your adjustment to the OPEB expense.

22 A. My adjustment to determine the normalized level of the OPEB expense is
23 based on the percentage of capitalized labor, which is an element of my

1 computation of the percentage of each employee's time allocated to PV
2 Water, which differs from the Company's pro forma percentage.

3
4 As outlined in Schedule RLM-5, I determined the level of OPEB expense
5 using all the Company's parameters except the percentage of each
6 employee's time allocated to PV Water.

7
8 My computation of the percentage of each employee's time allocated to
9 PV Water is explained in Adjustment No. 7 below.

10
11 As shown on Schedule RLM-3, page 1, column (C), line 22, this
12 adjustment decreases adjusted test-year expenses by:
13 (\$2,093).

14

15 Operating Income Adjustment No. 4 – Rate Case Expense

16 Q. Please explain the adjustment to the rate case expense.

17 A. RUCO made a determination of what should be the financial burden on
18 the ratepayers for the cost incurred by the Company for filing this rate
19 case application.

20

21 Q. What level of rate case expense had PV Water requested?

22 A. PV Water is requesting \$282,847 in rate case expense.

23 . . .

1 Q. Please explain the basis for determining the appropriate level of rate case
2 expense.

3 A. My adjustment consists of two elements. First, I analyzed: previously
4 approved rate case expenses for PV Water; reviewed other rate case
5 expenses authorized by the Commission; and examined the complexity of
6 this rate case to determine a reasonable financial burden on ratepayers
7 for this proceeding. Second, I analyzed the Company's testimony to
8 determine the period to amortize these expenses.

9

10 Q. Please explain your analysis to determine the ratepayers' appropriate
11 level of financial burden for this rate case proceeding.

12 A. My analysis consisted of the following review:

- 13 1. Previous PV Water Decision Nos. 57834, 58419, 59070, 60220 and
14 61831 had approved rate case expenses of \$39,570, \$39,570,
15 \$58,150, \$31,100 and \$60,000 respectively;
- 16 2. Arizona-American Decision No. 67093 approved an average of
17 \$41,894 per district;
- 18 3. Arizona Water was authorized rate case expenses for its Northern
19 Group at \$43,400 per district, the Eastern Group at \$31,250 per
20 district, and the Western Group at \$50,710 per district;
- 21 4. For a reality check, I reviewed the recent filing by Southwest Gas
22 Corporation, Arizona Division with a rate base over a billion dollars
23 and a customer base of nearly a million ratepayers, which

1 requested rate case expenses of \$235,000 (\$47,841 less than the
2 Company is requesting in the instant case) in its pending rate
3 application.

4
5 Q. Did you consider the instant case to be complex with issues that would
6 warrant extraordinary costs for research and analysis to determine the
7 appropriate revenue requirement?

8 A. No, there are no contentious issues requiring an abnormal level of
9 discovery, investigation, documentation or litigation.

10
11 Q. How did you calculate rate case expenses of \$73,179 for this proceeding?

12 A. In the previous rate case, Decision No. 61831, dated July 20, 1999, the
13 Company concurred with Staff's adjusted rate case expenses of \$60,000.
14 Even though \$60,000 is the highest expense approved among the 28
15 districts reviewed, I considered it fair, reasonable and previously
16 supported by the Company.

17
18 Therefore, using the consumer price index inflation calculator I projected
19 the 1999 expense into 2005 dollars and determined the appropriate level
20 of rate case expense at \$73,179.

21 . . .

22 . . .

23 . . .

1 Q. Please discuss the second element of your adjustment to the rate case
2 expenses.

3 A. My second element was to determine the appropriate amortization period
4 for the rate case expenses.

5

6 Company witness Stephenson states on page 5 of his testimony that
7 Arizona-American presently plans to file its next general rate case for PV
8 Water not later than May 2010.

9

10 It is reasonable to project the effective date of the new rates and charges
11 in the instant case to be May 2006 with future rates and charges being
12 implemented in May 2011 (one year after filing next general rate case).

13

14 Therefore, the appropriate amortization of rate case expenses in this
15 proceeding is five years ($2011 - 2006 = 5$ years). The Company has
16 proposed a three-year amortization period.

17

18 Q. Please explain the effect of your two elements of this adjustment on the
19 rate case expense.

20 A. RUCO believes the appropriate annual level of rate case expenses
21 associated with this proceeding is \$14,636 ($\$73,179 / 5 = \$14,636$).

22 . . .

23 . . .

1 As shown on Schedule RLM-3, page 1, column (D), line 22, this
2 adjustment decreases adjusted test-year expenses by:
3 (\$79,644).

4
5 Operating Income Adjustment No. 5 – Pension Expense

6 Q. Please explain your adjustment to the Pension expense.

7 A. My adjustment to determine the normalized level of Pension expense
8 consists of three elements. First, I adjusted the number of active pension
9 participants.

10
11 Second, I adjusted the number of full-time equivalent employees working
12 at PV Water. Third, I adjusted the percentage of capitalized labor.

13
14 Q. Please explain the basis of the first element of your adjustment.

15 A. In response to RUCO Data Request. 5.05, the Company indicated the
16 actual end of the test-year number of active pension participants was 136
17 (versus the 115 recorded in the filing). Therefore, I used this information
18 to make the first element of this adjustment.

19 . . .

20 . . .

21 . . .

22 . . .

23 . . .

1 Q. Please explain the basis of the second and third elements of your
2 adjustment.

3 A. Elements two and three are based on my computation of the percentage
4 of each employee's time allocated to PV Water, which differs from the
5 Company's pro forma percentage.

6
7 As outlined in Schedule RLM-6, I determined the level of pension expense
8 using all the Company's parameters except the percentage of each
9 employee's time allocated to PV Water.

10
11 My computation of the percentage of each employee's time allocated to
12 PV Water is explained in Adjustment No. 7 below.

13
14 As shown on Schedule RLM-3, page 1, column (E), line 22, this
15 adjustment decreases adjusted test-year expenses by:
16 (\$12,037).

17
18 Operating Income Adjustment No. 6 – Write-Off Of Materials And Supplies

19 Q. Please explain your adjustment to write-off materials and supplies.

20 A. My adjustment disallows the Company's pro forma adjustment to
21 reclassify and amortize PV Water's materials and supplies inventory in the
22 instant case.

23 . . .

1 PV Water's materials and supplies inventory was transferred to Arizona-
2 American Central Division in December 2004 and has been embedded in
3 the test-year actual Operations - Administration and General account.

4
5 Arizona-American recovers the cost of these materials and supplies
6 through the Corporate Office Allocation to PV Water, as well as through
7 allocations to all its Arizona districts.

8
9 Disallowance of this adjustment prevents double counting the recovery of
10 the cost of this inventory.

11
12 As shown on Schedule RLM-3, page 1, column (F), line 22, this
13 adjustment decreases adjusted test-year expenses by:
14 (\$11,184).

15
16 Operating Income Adjustment No. 7 – Normalized Labor

17 Q. Please discuss your adjustment to the Company's proposed labor
18 expense.

19 A. My adjustment consists of five elements. First, I removed test-year
20 expenses associated with a contract laborer. Second, I included the test-
21 year hours of work associated with this contract laborer. Third, I
22 determined the actual number of employees and time spent in the test
23 year to accomplish the work required for the provisioning of water service

1 to the test-year customer base. Fourth, I calculated the projected level of
2 wages and salaries by accepting the Company's 2005 pay scale as filed.
3 Fifth, I calculated the percentage of time actually worked for PV Water
4 versus the total hours worked for Arizona-American.

5

6 Q. Please explain the first and second elements of your adjustment to the
7 labor expense.

8 A. I concurred with the Company to include a new employee hired in early
9 2005 who had been a contract laborer throughout the test year.
10 Therefore, I removed the costs associated with this contract laborer from
11 the operations and maintenance expenses and increased the head count
12 and total hours of my labor adjustment to reflect the inclusion of the actual
13 test-year hours worked by this contractor.

14

15 Q. Please explain the third element of your adjustment to the labor expense.

16 A. Through discovery and the Company's response to RUCO Data Request
17 3.09, I was able to reconstruct the actual employee list and total hours
18 worked during the test year.

19

20 Q. Why is it important to accurately reconstruct the test-year labor force?

21 A. To avoid a mismatch among the ratemaking elements it is important to
22 accurately reflect the test-year level of employees and hours worked in
23 support of providing adequate utility services to the test-year customer

1 base. This balances the cost of providing service with the revenue
2 generated.

3

4 Q. What did the Company propose in its proforma adjustment to the labor
5 expense?

6 A. The Company's adjustment to normalize operations and maintenance
7 labor increases the test-year number of hours worked for PV Water by
8 7,636 hours and increases the number of full time employees by 7.

9

10 Q. Is there any justification for the magnitude of this increase in labor costs?

11 A. No. There has been no growth in customers or consumption in PV
12 Water's service territory. As shown on Schedule F-4, PV Water has also
13 assumed there will be no customer growth and/or increased consumption
14 in developing its own projections. Therefore, there is no acceptable
15 reason to inflate the size and work hours of the test-year work force.

16

17 Q. Please explain the fourth element of your adjustment to the labor expense.

18 A. I concurred with the Company to adjust the wages and salaries of the
19 work force to reflect the payroll increases implemented in early 2005.

20

21 Therefore, I adjusted the hourly rate of pay to reflect information provided
22 by the Company in this filing.

23 . . .

1 Q. Please explain the fifth element of your adjustment to the labor expense.

2 A. I determined the percentage of time worked at PV Water versus total
3 hours working for Arizona-American. This element is important to properly
4 allocate labor costs and labor related expenses to PV Water.

5
6 To properly allocate these labor costs and labor related expenses I
7 concurred with the Company's methodology for determining the
8 appropriate level of group insurance, OPEB, pension and payroll taxes by
9 implementing my percentage factor in the Company's formula.

10

11 Q. Please summarize your adjustment to the labor expense.

12 A. As shown on Schedule RLM-7 and my associated workpapers, I
13 computed the number of employees, total annual hours, percentage of
14 time spent at PV Water and payroll expense required to provide adequate
15 utility services to the test-year customer base.

16

17 As shown on Schedule RLM-3, pages 1 and 2, column (G), I am
18 recommending a normalized level of payroll expense of \$424,254, which
19 is \$17,083 more than the actual test year and \$161,443 less than the
20 Company's proposed level.

21

22 This adjustment decreases adjusted test-year expenses by:

23 (\$161,443).

1 Operating Income Adjustment No. 8 – Depreciation Expense

2 Q. Please explain your adjustment to the depreciation expense.

3 A. My adjustment to depreciation expense consists of three elements. First, I
4 adjusted depreciation expense to reflect the Commission's approved
5 depreciation rates applied to RUCO's recommended plant balances.
6 Second, I adjusted the amortization of Mummy Mountain Acquisition.
7 Third, I included the amortization of the ratepayers' portion of the "gain on
8 sale of land".

9

10 Q. Please explain the first element of your adjustment.

11 A. As shown on Schedule RLM-8, page 2, column (C), I calculated the test-
12 year depreciation expense on RUCO's adjusted total plant value applying
13 the Commission's approved depreciation rates.

14

15 Q. Please explain the second element of your adjustment.

16 A. As shown on Schedule RLM-8, page 1, Note A, I calculated the test-year
17 amortization expense on the Mummy Mountain Acquisition. This
18 adjustment corrects the Company's calculation by using the authorized
19 amortization period as approved in Decision No. 61307 of 25 years (not 20
20 years as formulated by the Company).

21 ...

22 ...

23 ...

1 Q. Please explain the third element of your adjustment.

2 A. As shown on Schedule RLM-8, page 1, Note B, I calculated the test-year
3 amortization expense for the ratepayers' portion of the "gain on the sale of
4 land" as described in Company witness Stephenson's testimony starting
5 on page 35. This adjustment accurately reflects the treatment of this gain
6 to properly account for the annual disbursement of the ratepayers' portion
7 of the appreciation realized from the sale of utility plant property.

8
9 Q. Why was it necessary to add in the amortized income from the "gain on
10 sale of land"?

11 A. The Company proposes the ratepayers' portion of the gain be provided as
12 a surcredit to the ratepayers over five years, and not be reflected in the
13 base rates set in this case. The Company's proposal has the effect of
14 depriving ratepayers of the time value of their portion of the gain. RUCO's
15 recommendation to amortize the gain to the income statement and
16 decrease the rate base by the amount of the gain recognizes that until this
17 gain is fully credited to ratepayers it represents cost-free capital to PV
18 Water that should not earn a return.

19
20 Q. Please summarize your total adjustment to the test-year depreciation
21 expense.

22 A. As shown on Schedule RLM-3, page 2, column (H), line 32, this
23 adjustment decreases adjusted test-year expenses by:

1 (\$72,676).

2

3 Operating Income Adjustment No. 9 – Property Tax

4 Q. Please explain your first adjustment to the Property Tax Expense account.

5 A. As shown on Schedule RLM-9, I made an adjustment to remove the
6 portion of the property taxes recovered from Motorola through the MRTF
7 agreement.

8

9 Through discovery and the Company's response to RUCO Data Request
10 4.01, I was able to determine the amount of property tax associated with
11 the MRTF. Also, it was the only expense associated with the MRTF that
12 was not included in the Company's adjustments to exclude MRTF test-
13 year expenses.

14

15 Therefore, as stated in Company's witness Fulter's testimony starting at
16 page 5, all costs related to the operation of the MRTF are the
17 responsibility of the North Indian Bend Wash Participating Companies, I
18 removed the property tax expense from PV Water's test-year expenses.

19

20 As shown on Schedule RLM-3, page 4, column (I), line 33, this adjustment
21 decreases adjusted test-year expenses by:

22 (\$56,844).

23 . . .

1 Operating Income Adjustment No. 10 – Property Tax

2 Q. Please explain your second adjustment to the Property Tax Expense
3 account.

4 A. As shown on Schedule RLM-10, I made an adjustment to reflect the
5 Company's property tax based on the use of the ADOR formula.

6
7 Q. Please explain the basis of RUCO's adjustment to property tax expenses.

8 A. As has been debated in several recent water utility rate case applications
9 before the Commission, RUCO has maintained that using historical
10 revenues in the ADOR formula, as the formula dictates, is the best
11 estimate of future property taxes. RUCO is more convinced than ever that
12 this is the proper way to measure property tax, now that actual post-test-
13 year property tax expense is known, and comparisons can be made.

14
15 In this case the comparison of actual property tax for 2005 to the
16 estimates using the ADOR recommended revenues and the Company's
17 recommended revenues illustrates that the use of ADOR's formula is far
18 more accurate.

19
20 Q. How does this Company methodology vary from the ADOR formula?

21 A. The Company has varied the ADOR formula by using, for valuation
22 purposes, two years of adjusted revenues plus one year of proposed
23 revenues.

1 The property tax formula, as prescribed in ADOR's memo of January 3,
2 2001, determines the Full Cash Value ("FCV") of water utilities, for
3 property tax purposes, by multiplying the average of the three previous
4 years of reported gross revenues of the Company by a factor of two.

5

6 Q. What is the result of the Company's calculation of the property tax pro-
7 forma adjustment?

8 A. The result is a FCV, which will likely allow the Company to over-earn
9 based on its expected property tax expense. Among the goals of ADOR
10 was to arrive at a forward looking valuation formula that would produce
11 predictable values, logical results and minimize the tax impact from the
12 previous year.

13

14 Q. Do you have any evidence RUCO's calculation is more appropriate?

15 A. Yes, I do. The evidence in this case attests to the accuracy of RUCO's
16 calculation. Using ADOR's formula, RUCO's recommended property tax
17 expense for 2005 is \$170,334. By comparison, the Company's proposed
18 2005 property tax expense is \$213,241. The actual property tax assessed
19 by ADOR (excluding MRTF) for 2005 is \$162,193. Thus, the ADOR
20 formula results in a more accurate level of property tax expense than does
21 the Company's "modified" formula.

22 ...

23 ...

1 It is unlikely that the Company will generate revenues consistent with its
2 estimates in the near future. The Company would be over-collecting the
3 property tax expense for quite a few years before the actual assessment
4 would catch up to the Company's 2005 projected revenue. In the
5 meantime, the Company will be recovering its property tax expense based
6 on an inflated revenue projection.

7

8 Q. When will the Company pay the property tax impacted by the changes in
9 revenues approved in this rate case?

10 A. Assuming rates go into effect in mid 2006, it will not be until the end of
11 2007 before the Company will have one full year of operating revenues at
12 the new rates.

13

14 The Company will pay property taxes for the tax-year 2007 semi-annually,
15 the first payment becoming due in October 2007, and the final payment
16 due in March 2008.

17

18 Q. What action is RUCO taking to promote its position and establish
19 acceptance of its recommendation on how to implement the ADOR
20 Formula?

21 A. Since the property tax formula, as prescribed by the ADOR, was in a
22 memo dated January 3, 2001, and requires the use of two historical years
23 of revenue, full ramification of this formula will not take effect until the

1 2005 assessment with that property tax expense final payable due in early
2 2006.

3
4 Therefore, RUCO is continuing to gather evidence on the appropriateness
5 of the ADOR formula to accurately project future property taxes for
6 ratemaking purposes. RUCO asserts the data will further demonstrate
7 that its property tax arguments are correct.

8
9 Q. Please summarize your second adjustment to the property tax expense.
10 A. As shown on Schedule RLM-3, page 4, column (J), line 33, this
11 adjustment increases adjusted test-year expenses by:
12 \$13,937.

13
14 Operating Income Adjustment No. 11 – Normalized Payroll Taxes

15 Q. What adjustments did you make to the Company's FICA, FUTA, and
16 SUTA payroll taxes?

17 A. I adjusted the Company's FICA, FUTA, and SUTA to correspond to
18 RUCO's recommended level of labor.

19
20 As outlined on Schedule RLM-11, I have calculated the payroll taxes using
21 RUCO's adjusted payroll labor expense.

22 ...

23 ...

1 As shown on Schedule RLM-3, page 4, column (K), line 34, this
2 adjustment decreases adjusted test-year expenses by:
3 (\$17,204).

4
5 RUCO Operating Income Adjustment No. 12 – Administration And
6 General Allocated Expenses

7 Q. Please explain your analysis of the Company's administration and general
8 allocated test-year expenses.

9 A After review of the Company's response to RUCO Data Requests 5.09,
10 7.04, 9.01, 9.02, 9.03 and 9.04, I made adjustments to remove certain
11 costs from test-year expenses that RUCO deems inappropriate to recover
12 from these proceedings.

13
14 As shown on Schedule RLM-12, page 1, lines 2, 3 and 4, I made
15 adjustments to the Corporate Office allocated expenses in three accounts
16 – Management Fees, Central Division Miscellaneous and Corporate Office
17 Miscellaneous.

18
19 Q. Please explain your adjustment to the management fees allocated to PV
20 Water.

21 A. Through discovery and the Company's response to RUCO Data Request
22 9.04, I removed all expenses associated with the Annual Incentive Plan
23 and the Long-Term Incentive Plan.

1 Q. Are employees of PV Water awarded bonuses if the Company achieves
2 specific performance objectives?

3 A. Yes. The Company has a bonus award plan, which states no awards are
4 payable unless the Company's meets its financial performance target or if
5 the employee does not meet his/her performance goals.

6
7 Q. Who benefits from the achievement of these performance targets?

8 A. Stockholders are the primary beneficiaries of the achievement of these
9 performance targets. This is particularly true between rate cases.

10
11 Q. Please explain.

12 A. The achievement of the financial performance target clearly benefits
13 stockholders. Any additional profits the Company is able to achieve
14 between rate cases accrues solely to the Company's stockholders.
15 Likewise, the achievement of the employee performance goals benefits
16 stockholders. If the Company is successful in reducing its number of
17 employees while maintaining its customer base, the additional profit will
18 accrue to stockholders between rate cases. Accordingly, since
19 stockholders stand to gain from achievement of the performance targets,
20 stockholders should bear the cost of any employee incentive pay.

21 . . .

22 . . .

23 . . .

1 Q. Do employees who are eligible for incentive pay also receive annual pay
2 increases?

3 A. Yes. Awards made under the Annual Incentive Plan and the Long-Term
4 Incentive Plan are in addition to annual salary increases.

5

6 Q. Is the annual amount of the incentive pay a known and measurable
7 expense?

8 A. No. Because the amount of the total incentive award is contingent on
9 whether or not the Company achieves its financial performance targets the
10 annual amount of the award is not known and measurable. Thus, the
11 amount awarded in the test year is not necessarily representative of, and
12 quite possibly completely unrelated to, the amount that will be incurred in
13 subsequent years.

14

15 Moreover, with the employee performance goals reached and the
16 completion of the downsizing and reorganization projects, presumably
17 there should inherently be efficiencies realized. If I was able to quantify
18 these efficiencies, further reductions in test-year expenses would be highly
19 probable.

20 . . .

21 . . .

22 . . .

23 . . .

1 Q. Is there another reason why the test-year incentive pay should not be
2 included in rates?

3 A. Yes. In response to RUCO's Data Request 9.04, the Company
4 acknowledges that it paid out incentive awards in 2004 despite the fact it
5 did not achieve its goals. Ratepayers should not have to pay for bonuses,
6 let alone for those given arbitrarily, despite not having achieved incentive
7 goals.

8
9 Q. Please summarize your adjustment to the management fees allocated to
10 PV Water.

11 A. As shown on Schedule RLM-12, page 1, column (A), line 2, I removed all
12 the test-year costs in the incentive pay account from test-year expenses.
13 This adjustment decreases adjusted test-year expenses by (\$62,478).

14
15 Q. Please explain your adjustment to the Central Division Miscellaneous
16 expenses allocated to PV Water.

17 A. Through discovery and the Company's response to RUCO Data Requests
18 9.01, 9.02 and 9.03, I determined there were test-year expenses that were
19 non-recurring, previously disallowed by the ACC, and/or not required for
20 the provisioning of water service, such as, expenses related to payments
21 to Chambers of Commerce, non-profit organizations, donations, club
22 memberships, gifts, awards, extravagant corporate events and for various
23 meals, lodging and refreshments.

1 Therefore, as shown on RLM-12, pages 5 through 7, I made an
2 adjustment to remove these expenses.

3

4 Q. Please summarize your adjustment to the Central Division Miscellaneous
5 account allocated to PV Water.

6 A. As shown on Schedule RLM-12, page 1, column (A), line 3, I removed
7 inappropriate test-year costs in the Central Division Miscellaneous
8 account from test-year expenses. This adjustment decreases adjusted
9 test-year expenses by (\$1,204).

10

11 Q. Please explain your adjustment to the Corporate Office Miscellaneous
12 account allocated to PV Water.

13 A. Similar to the above adjustment to the Central Division Miscellaneous
14 account, and as shown on RLM-12, pages 8 through 18, I removed
15 inappropriate test-year costs in the Corporate Office Miscellaneous
16 account from test year expenses.

17

18 As shown on Schedule RLM-12, page 1, column (A), line 4, this
19 adjustment decreases adjusted test-year expenses by (\$18,233).

20 ...

21 ...

22 ...

23 ...

1 Q. Please summarize the total adjustment to the allocated administration and
2 general expense.

3 A. As shown on Schedule RLM-3, page 3, column (L), line 22, this
4 adjustment decreases adjusted test-year expenses by:
5 (\$81,915).

6

7 RUCO Operating Income Adjustment No. 13 – Capitalization of Expenses

8 Q. Please discuss the reason you are recommending the capitalization of
9 certain maintenance pumping expenses.

10 A. Through discovery, both the Company and RUCO agree that certain
11 operations and maintenance expenses should have been capitalized.

12

13 As stated in the response to RUCO Data Request 8.05, the Company
14 agreed that three invoices expensed in the instant case meet the criteria
15 to be recorded as capital plant items.

16

17 Therefore, both the Company and RUCO agree to reclassify these
18 expenses in the appropriate utility plant accounts.

19

20 The specific adjustments are shown on Schedule RLM-3, page 4, column
21 (K) to remove the expenses and Schedule TJC-3, column (4), line 13 to
22 capitalize the plant items.

23 . . .

1 As shown on Schedule RLM-3, page 3, column (M), line 15, and page 4,
2 column (M), lines 25 and 26, this adjustment decreases adjusted test-year
3 expenses by:
4 (\$10,495).

5

6 RUCO Operating Income Adjustment No. 16 – Income Taxes

7 Q. Please explain your adjustment to income tax expenses.

8 A. This adjustment reflects income tax expenses calculated on RUCO's
9 recommended revenues and expenses.

10

11 As shown on Schedule RLM-3, page 4, column (P), line 35, this
12 adjustment increases adjusted test-year expenses by:
13 \$206,490.

14

15 **ARSENIC COST RECOVERY MECHANISM**

16 Q. Does RUCO support the ACRM?

17 A. Yes, it does. RUCO is in agreement with the ACRM as proposed by the
18 Company, which is patterned after the ACRM authorized for Arizona
19 Water Company – Northern Division in Commission Decision No. 66400,
20 dated October 14, 2003.

21 . . .

22 . . .

23 . . .

1 Q. Does RUCO have any concerns about the ACRM in this proceeding?

2 A. RUCO does not disagree with the Company's request for the ACRM as
3 outlined in Company witness Stephenson's testimony starting on page 14.

4
5 However, RUCO does have several areas of major concern associated
6 with the costs that the Company plans to seek recovery of through the
7 ACRM.

8
9 Q. What are RUCO's concerns?

10 A. After reviewing the Paradise Valley arsenic removal facility project and
11 treatment process, RUCO believes a very thorough audit and analysis will
12 be required before any recovery of the approximately \$20 million in
13 projected costs should be authorized.

14
15 Areas of concern that require scrutiny are:

- 16 1. Review of the tender list and bidding process;
- 17 2. Compare appropriateness of this treatment technology;
- 18 3. Determine actual costs for the specific mandated arsenic removal
19 at a site that is oversized and has multiple uses;
- 20 4. Analyze the used and usefulness of the additional storage and
21 pumping capacity in the arsenic removal process; and
- 22 5. Examine the possibility the treatment facility is capable of treating
23 water in excess of just arsenic removal.

1 Q. Given these concerns, do you believe the timeline as proposed by the
2 Company is realistic?

3 A. No. In August 2006, the Company anticipates making an ACRM filing for
4 the recovery of capital costs for arsenic treatment facilities completed and
5 placed into service by July 2006.

6
7 Furthermore, the Company expects parties to review the filing prior to an
8 Open Meeting in September 2006 with the Commission approving the
9 surcharge for PV Water customers effective on customers' bills in October
10 2006.

11
12 Considering the complexity and magnitude of the costs of PV Water's
13 arsenic project, it seems highly unlikely a sufficient analysis could be
14 completed in time for an Opening Meeting in September 2006.

15
16 Q. Does this conclude your direct testimony?

17 A. Yes, it does.

APPENDIX 1

APPENDIX 1

Qualifications of Rodney Lane Moore

EDUCATION: Athabasca University
Bachelor's Degree in Business Administration - 1993

EXPERIENCE: Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona 85007
May 2001 - Present

My duties include review and analysis of financial records and other documents of regulated utilities for accuracy, completeness, and reasonableness. I am also responsible for the preparation of work papers and Schedules resulting in testimony and/or reports regarding utility applications for increase in rates, financings, and other matters. Extensive use of Microsoft Excel and Word, spreadsheet modeling and financial statement analysis.

Auditor
Arizona Corporation Commission
Phoenix, Arizona 85007
October 1999 - May 2001

My duties include review and analysis of financial records and other documents of regulated utilities for accuracy, completeness, and reasonableness. I am also responsible for the preparation of work papers and Schedules resulting in testimony and/or reports regarding utility applications for increase in rates, financings, and other matters. Extensive use of Microsoft Excel and Word, spreadsheet modeling and financial statement analysis.

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

<u>Utility Company</u>	<u>Docket No.</u>
Rio Verde Utilities, Inc	WS-02156A-00-0321
Black Mountain Gas Company	G-03703A-01-0283
Green Valley Water Company	W-02025A-01-0559
New River Utility Company	W-01737A-01-0662

Dragoon Water Company	W-01917A-01-0851
Roosevelt Lake Resort, Inc.	W-01958A-02-0283
Southwest Gas Company	G-01551A-02-0425
Arizona-American Water Company	W-01303A-02-0867 et al
Rio Rico Utilities, Inc.	WS-02676A-03-0434
Qwest Corporation	T-01051B-03-0454
Chaparral City Water Company	W-02113A-04-0616
Southwest Gas Company	G-01551A-04-0876

TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	1 & 2	REVENUE REQUIREMENT
RLM-2	1	OPERATING INCOME
RLM-3	1 TO 4	SUMMARY OF OPERATING INCOME ADJUSTMENTS
	TESTIMONY	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1 - RECLASSIFIED OFFICE LEASE
RLM-4	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2 - NORMALIZED GROUP INSURANCE
RLM-5	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3 - NORMALIZED OPEB EXPENSES
	TESTIMONY	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - RATE CASE EXPENSE
RLM-6	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5 - PENSION EXPENSES
	TESTIMONY	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - MATERIALS & SUPPLIES WRITE-OFF
RLM-7	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7 - NORMALIZED PAYROLL
RLM-8	1 TO 3	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - TEST YEAR DEPRECIATION EXPENSE
RLM-9	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9 - PROPERTY TAX COMPUTATION - ADJ. # 1
RLM-10	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10 - PROPERTY TAX COMPUTATION - ADJ. # 2
RLM-11	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 11 - NORMALIZED PAYROLL TAXES
RLM-12	1 TO 18	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12 - ADMIN. & GEN. CORPORATE ALLOCATION
	TESTIMONY	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 13 - CAPITALIZED O & M EXPENSES
		ADJUSTMENT NO. 14 - LEFT BLANK
		ADJUSTMENT NO. 15 - LEFT BLANK
RLM-13	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 16 - INCOME TAX EXPENSE

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB AS FILED	(B) RUCO OCRB/FVRB AS ADJUSTED
1	Adjusted Rate Base	\$ 11,651,216	\$ 10,898,953
2	Adjusted Operating Income (Loss)	\$ 742,769	\$ 1,045,440
3	Current Rate Of Return (Line 2 / Line 1)	6.38%	9.59%
4	Required Operating Income (Line 5 X Line 1)	\$ 913,455	\$ 773,826
5	Required Rate Of Return	7.84%	7.10%
6	Operating Income Deficiency (Line 4 - Line 2)	\$ 170,686	\$ (271,615)
7	Gross Revenue Conversion Factor (Schedule RLM-1, Page 2)	1.6286	1.6286
8	Increase In Gross Revenue Requirement (Line 7 X Line 6)	\$ 277,980	\$ (442,361)
9	Adjusted Test Year Revenue	\$ 5,070,680	\$ 5,070,680
10	Proposed Annual Revenue Requirement (Line 8 + Line 9)	\$ 5,348,660	\$ 4,628,319
11	Required Percentage Increase In Revenue (Line 8 / Line 9)	5.48%	-8.72%
12	Rate Of Return On Common Equity	12.00%	10.00%

References:

Column (A): Company Schedule A-1, C-1 And D-1

Column (B): Schedules TJC-3, RLM-1 (Page 2), RLM-2 And WAR-1

REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	REFERENCE	(A)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:		
1	Revenue		1.0000
2	Less: Uncollectibles	Company Schedule C-3, Line 3	-
3	Subtotal	Line 1 - Line 2	1.0000
4	Less: Combined Federal And State Tax Rate	NOTE A, Line 14	0.3860
5	Subtotal	Line 3 - Line 4	0.6140
6	RUCO Adjustment (See RLM-1, Page 1, Column (B), Line 7)	Line 1 / Line 5	1.6286

NOTE A

	CALCULATION OF EFFECTIVE TAX RATE:		
7	Arizona Taxable Income		100.00%
8	Arizona State Income Tax Rate		6.97%
9	Federal Taxable Income	Line 7 - Line 8	93.03%
10	Applicable Federal Income Tax Rate		34.00%
11	Effective Federal Income Tax Rate	Line 9 X Line 10	31.63%
12	Subtotal	Line 8 + Line 11	38.60%
13	Revenue Less Uncollectibles	Line 3	100.00%
14	Combined Federal And State Income Tax Rate	Line 12 X Line 13	38.60%

SUMMARY OF OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO AS RECOMMENDED
OPERATING REVENUES:						
1	Residential	\$ 3,868,204	\$ -	\$ 3,868,204	\$ -	\$ 3,868,204
2	Commercial	928,050	-	928,050	-	928,050
3	Turf	76,712	-	76,712	-	76,712
4	Turf - Country Club	166,994	-	166,994	-	166,994
5	Miscellaneous	925	-	925	-	925
6	Sales For Resales	13,270	-	13,270	-	13,270
7	Fire Service	4,439	-	4,439	-	4,439
8	Other	12,468	-	12,468	-	12,468
9	Motorola	-	-	-	-	-
	Unbilled Adjustment					
10	Residential	-	-	-	-	-
11	Commercial	-	-	-	-	-
12	Total Water Sales	5,071,062	-	5,071,062	(442,361)	4,628,701
13	Difference To G/L	(382)	-	(382)	-	(382)
14	TOTAL OPERATING REV.	<u>\$ 5,070,680</u>	<u>\$ -</u>	<u>\$ 5,070,680</u>	<u>\$ (442,361)</u>	<u>\$ 4,628,319</u>
OPERATING EXPENSES:						
Operations						
15	Source Of Supply	\$ 67,292	\$ (1,847)	\$ 65,445	\$ -	\$ 65,445
16	Purchased Power	812,312	-	812,312	-	812,312
17	Pumping Expense	4,416	-	4,416	-	4,416
18	Chemicals	16,499	-	16,499	-	16,499
19	Water Treatment	6,914	-	6,914	-	6,914
20	Transmission & Distribution	74,437	(32,389)	42,048	-	42,048
21	Customer Accounting	62,854	-	62,854	-	62,854
22	Administrative & General	1,378,856	(204,438)	1,174,418	-	1,174,418
23	Operations Labor	403,162	(92,863)	310,299	-	310,299
24	Total Operations Exp	<u>\$ 2,826,742</u>	<u>\$ (331,537)</u>	<u>\$ 2,495,205</u>	<u>\$ -</u>	<u>\$ 2,495,205</u>
Maintenance						
25	Source Of Supply	\$ 14,552	\$ (2,350)	\$ 12,202	\$ -	\$ 12,202
26	Pumping	16,309	(6,298)	10,011	-	10,011
27	Water Treatment	(1,277)	-	(1,277)	-	(1,277)
28	Transmission & Distribution	118,506	(2,090)	116,416	-	116,416
29	Administrative & General	784	-	784	-	784
30	Maintenance Labor	148,056	(34,101)	113,955	-	113,955
31	Total Maintenance Exp	<u>\$ 296,930</u>	<u>\$ (44,839)</u>	<u>\$ 252,091</u>	<u>\$ -</u>	<u>\$ 252,091</u>
32	DEPR. & AMORT. EXPENSES	<u>\$ 720,578</u>	<u>\$ (72,676)</u>	<u>\$ 647,902</u>	<u>\$ -</u>	<u>\$ 647,902</u>
TAXES						
33	Property Taxes	\$ 213,241	\$ (42,907)	\$ 170,334	\$ -	\$ 170,334
34	Payroll & Miscellaneous	54,716	(17,204)	37,512	-	37,512
35	State & Federal Income	215,705	206,490	422,195	(170,746)	251,449
36	Total Taxes	<u>\$ 483,662</u>	<u>\$ 146,379</u>	<u>\$ 630,041</u>	<u>\$ (170,746)</u>	<u>\$ 459,295</u>
37	TOTAL OPERATING EXP.	<u>\$ 4,327,912</u>	<u>\$ (302,672)</u>	<u>\$ 4,025,240</u>	<u>\$ (170,746)</u>	<u>\$ 3,854,493</u>
38	OPERATING INCOME (LOSS)	<u>\$ 742,768</u>		<u>\$ 1,045,440</u>		<u>\$ 773,826</u>

References:

Column (A): Company Schedules C-1 And E-6
Column (B): Testimony, RLM And Schedule RLM-3, Pages 1 Thru 4
Column (C): Column (A) + Column (B)
Column (D): Testimony, RLM And Schedule RLM-1, Page 1
Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTED**

LINE NO.	DESCRIPTION	COMPANY AS FILED	(A) ADJ #1	(B) ADJ #2	(C) ADJ #3	(D) ADJ #4	(E) ADJ #5	(F) ADJ #6	(G) ADJ #7	(H) ADJ #8
OPERATING REVENUES:										
1	Residential	\$ 3,868,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Commercial	928,050	-	-	-	-	-	-	-	-
3	Turf	76,712	-	-	-	-	-	-	-	-
4	Turf - Country Club	166,994	-	-	-	-	-	-	-	-
5	Miscellaneous	925	-	-	-	-	-	-	-	-
6	Sales For Resales	13,270	-	-	-	-	-	-	-	-
7	Fire Service	4,439	-	-	-	-	-	-	-	-
8	Other	12,468	-	-	-	-	-	-	-	-
9	Motorola	-	-	-	-	-	-	-	-	-
	Unbilled Adjustment									
10	Residential	-	-	-	-	-	-	-	-	-
11	Commercial	-	-	-	-	-	-	-	-	-
12	Total Water Sales	5,071,062	-	-	-	-	-	-	-	-
13	Difference To G/L	(382)	-	-	-	-	-	-	-	-
14	TOTAL OPERATING REV.	\$ 5,070,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES:										
	Operations									
15	Source Of Supply	\$ 67,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Purchased Power	812,312	-	-	-	-	-	-	-	-
17	Pumping Expense	4,416	-	-	-	-	-	-	-	-
18	Chemicals	16,499	-	-	-	-	-	-	-	-
19	Water Treatment	6,914	-	-	-	-	-	-	-	-
20	Transmission & Distribution	74,437	-	-	-	-	-	-	(32,389)	-
21	Customer Accounting	62,854	-	-	-	-	-	-	-	-
22	Administrative & General	1,378,856	(14,593)	(2,972)	(2,093)	(79,644)	(12,037)	(11,184)	-	-
23	Operations Labor	403,162	-	-	-	-	-	-	(92,863)	-
24	Total Operations Exp	\$ 2,826,742	\$ (14,593)	\$ (2,972)	\$ (2,093)	\$ (79,644)	\$ (12,037)	\$ (11,184)	\$ (125,252)	\$ -

ADJUSTMENT NO.

- 1 - Reclassified Office Lease
- 2 - Normalized Group Insurance
- 3 - OPEB Expense
- 4 - Rate Case Expense

REFERENCE

- Testimony, RLM
- Testimony, RLM And Schedule RLM-4
- Testimony, RLM And Schedule RLM-5
- Testimony, RLM

ADJUSTMENT NO.

- 5 - Pension Expense
- 6 - Write-Off Mat. & Supplies
- 7 - Normalized Labor
- 8 - Depreciation Expense

REFERENCE

- Testimony, RLM And Schedule RLM-6
- Testimony, RLM
- Testimony, RLM And Schedule RLM-7
- Testimony, RLM And Schedule RLM-8

SUMMARY OF OPERATING INCOME ADJUSTMENTS - CONT'D
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	COMPANY AS FILED	(A) ADJ #1	(B) ADJ #2	(C) ADJ #3	(D) ADJ #4	(E) ADJ #5	(F) ADJ #6	(G) ADJ #7	(H) ADJ #8
	Maintenance									
25	Source Of Supply	\$ 14,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Pumping	16,309	-	-	-	-	-	-	-	-
27	Water Treatment	(1,277)	-	-	-	-	-	-	-	-
28	Transmission & Distribution	118,506	-	-	-	-	-	-	(2,090)	-
29	Administrative & General	784	-	-	-	-	-	-	-	-
30	Maintenance Labor	148,056	-	-	-	-	-	-	(34,101)	-
31	Total Maintenance Exp	<u>\$ 296,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,191)</u>	<u>\$ -</u>
32	DEPR. & AMORT. EXPENSES	<u>\$ 720,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (72,676)</u>
	TAXES									
33	Property Taxes	\$ 213,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	Payroll & Miscellaneous	54,716	-	-	-	-	-	-	-	-
35	State & Federal Income	215,705	-	-	-	-	-	-	-	-
36	Total Taxes	<u>\$ 483,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
37	TOTAL OPERATING EXP.	<u>\$ 4,327,912</u>	<u>\$ (14,593)</u>	<u>\$ (2,972)</u>	<u>\$ (2,093)</u>	<u>\$ (79,644)</u>	<u>\$ (12,037)</u>	<u>\$ (11,184)</u>	<u>\$ (161,443)</u>	<u>\$ (72,676)</u>
38	OPERATING INCOME (LOSS)	<u><u>\$ 742,768</u></u>								

ADJUSTMENT NO.

- 1 - Reclassified Office Lease
- 2 - Normalized Group Insurance
- 3 - OPEB Expense
- 4 - Rate Case Expense
- 5 - Pension Expense
- 6 - Write-Off Mat. & Supplies
- 7 - Normalized Labor
- 8 - Depreciation Expense

REFERENCE

- Testimony, RLM
- Testimony, RLM And Schedule RLM-4
- Testimony, RLM And Schedule RLM-5
- Testimony, RLM
- Testimony, RLM And Schedule RLM-6
- Testimony, RLM
- Testimony, RLM And Schedule RLM-7
- Testimony, RLM And Schedule RLM-8

SUMMARY OF OPERATING INCOME ADJUSTMENTS - CONT'D
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(I) ADJ #9	(J) ADJ #10	(K) ADJ #11	(L) ADJ #12	(M) ADJ #13	(N) ADJ #14	(O) ADJ #15	(P) ADJ #16	(Q) RUCO AS AD'TED
OPERATING REVENUES:										
1	Residential	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,868,204
2	Commercial	-	-	-	-	-	-	-	-	928,050
3	Turf	-	-	-	-	-	-	-	-	76,712
4	Turf - Country Club	-	-	-	-	-	-	-	-	166,994
5	Miscellaneous	-	-	-	-	-	-	-	-	925
6	Sales For Resales	-	-	-	-	-	-	-	-	13,270
7	Fire Service	-	-	-	-	-	-	-	-	4,439
8	Other	-	-	-	-	-	-	-	-	12,468
9	Motorola	-	-	-	-	-	-	-	-	-
	Unbilled Adjustment									
10	Residential	-	-	-	-	-	-	-	-	-
11	Commercial	-	-	-	-	-	-	-	-	-
12	Total Water Sales	-	-	-	-	-	-	-	-	5,071,062
13	Difference To G/L	-	-	-	-	-	-	-	-	(382)
14	TOTAL OPERATING REV.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,070,680</u>
OPERATING EXPENSES:										
	Operations									
15	Source Of Supply	\$ -	\$ -	\$ -	\$ -	\$ (1,847)	\$ -	\$ -	\$ -	\$ 65,445
16	Purchased Power	-	-	-	-	-	-	-	-	812,312
17	Pumping Expense	-	-	-	-	-	-	-	-	4,416
18	Chemicals	-	-	-	-	-	-	-	-	16,499
19	Water Treatment	-	-	-	-	-	-	-	-	6,914
20	Transmission & Distribution	-	-	-	-	-	-	-	-	42,048
21	Customer Accounting	-	-	-	-	-	-	-	-	62,854
22	Administrative & General	-	-	-	(81,915)	-	-	-	-	1,174,418
23	Operations Labor	-	-	-	-	-	-	-	-	310,299
24	Total Operations Exp	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (81,915)</u>	<u>\$ (1,847)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,495,205</u>

ADJUSTMENT NO.
9 - Property Tax - Adjustment No. 1
10 - Property Tax - Adjustment No. 2
11 - Payroll Taxes
12 - Admin. & Gen. Corporate Allocation

REFERENCE
Testimony, RLM And Schedule RLM-9
Testimony, RLM And Schedule RLM-10
Testimony, RLM And Schedule RLM-11
Testimony, RLM And Schedule RLM-12

ADJUSTMENT NO.
13 - Capitalization Of Expenses
14 - Left Blank
15 - Left Blank
16 - Income Tax

REFERENCE
Testimony, RLM

Testimony, RLM And Schedule RLM-13

SUMMARY OF OPERATING INCOME ADJUSTMENTS - CONT'D
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(I) ADJ #9	(J) ADJ #10	(K) ADJ #11	(L) ADJ #12	(M) ADJ #13	(N) ADJ #14	(O) ADJ #15	(P) ADJ #16	(Q) RUCO AS AD'TED
	Maintenance									
25	Source Of Supply	\$ -	\$ -	\$ -	\$ -	\$ (2,350)	\$ -	\$ -	\$ -	\$ 12,202
26	Pumping	-	-	-	-	(6,298)	-	-	-	10,011
27	Water Treatment	-	-	-	-	-	-	-	-	(1,277)
28	Transmission & Distribution	-	-	-	-	-	-	-	-	116,416
29	Administrative & General	-	-	-	-	-	-	-	-	784
30	Maintenance Labor	-	-	-	-	-	-	-	-	113,955
31	Total Maintenance Exp	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,648)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,091</u>
32	DEPR. & AMORT. EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 647,902</u>
	TAXES									
33	Property Taxes	\$ (56,844)	\$ 13,937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,334
34	Payroll & Miscellaneous	-	-	(17,204)	-	-	-	-	-	37,512
35	State & Federal Income	-	-	-	-	-	-	-	206,490	422,195
36	Total Taxes	<u>\$ (56,844)</u>	<u>\$ 13,937</u>	<u>\$ (17,204)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,490</u>	<u>\$ 630,041</u>
37	TOTAL OPERATING EXP.	<u>\$ (56,844)</u>	<u>\$ 13,937</u>	<u>\$ (17,204)</u>	<u>\$ (81,915)</u>	<u>\$ (10,495)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,490</u>	<u>\$ 4,025,240</u>
38	OPERATING INCOME (LOSS)									<u>\$ 1,045,440</u>

ADJUSTMENT NO.

- 9 - Property Tax - Adjustment No. 1
- 10 - Property Tax - Adjustment No. 2
- 11 - Payroll Taxes
- 12 - Admin. & Gen. Corporate Allocation
- 13 - Capitalization Of Expenses
- 14 - Left Blank
- 15 - Left Blank
- 16 - Income Tax

REFERENCE

- Testimony, RLM And Schedule RLM-9
- Testimony, RLM And Schedule RLM-10
- Testimony, RLM And Schedule RLM-11
- Testimony, RLM And Schedule RLM-12
- Testimony, RLM

Testimony, RLM And Schedule RLM-13

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
NORMALIZATION OF GROUP INSURANCE**

LINE NO.	DESCRIPTION	REFERENCE	(A)
1	Group Insurance Costs	WP RLM-4, Page 2, Column (F), Line 27	\$ 128,044
2	Employee Contributions	WP RLM-4, Page 8, Column (F), Line 49	(6,105)
3	Total RUCO Adjusted Group Insurance Costs	Line 1 + Line 2	<u>\$ 121,939</u>
	Less:		
	Capitalized Portion		
4	RUCO Adjusted Capital Labor (Excluding MRTF)	\$ (45,377)	RLM-7, Page 1, Line 2
5	RUCO Adjusted Total Labor (Excluding MRTF)	<u>424,255</u>	RLM-7, Page 1, Line 3
6	Percentage Of Capitalized Labor	-10.70%	Line 4 / Line 5
7		Line 3 X Capital Labor Of 10.70%	(13,042)
8	RUCO Adjusted Group Insurance Expense	Line 3 + Line 6	<u>\$ 108,897</u>
9	Company Group Insurance Expense As Filed	Company Workpapers	111,869
10	RUCO Adjustment (See RLM-3, Page 1, Column (B), Line 22)	Line 7 - Line 8	<u>\$ (2,972)</u>

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
OPEB EXPENSE**

LINE NO.	DESCRIPTION	REFERENCE	(A)
1	Normalized OPEB Expense	Company Response To RUCO Data Request 8.04	\$ 67,595
	Less		
	Capitalized Portion		
2	Normalized Capital Labor	RLM-7, Page 1, Line 2	\$ (45,377)
3	Normalized Total Labor	RLM-7, Page 1, Line 3	<u>\$424,255</u>
4	Percentage Capital Labor Is Of Total Labor	Line 2 / Line 3	-10.70%
5		Line 1 X Capital Labor Of 10.70%	(7,230)
6	Amortization Of Deferred Expense	Company Response To RUCO Data Request 5.04	25,404
7	RUCO Adjusted OPEB Expense	Sum of Lines 1, 5 & 6	<u>\$ 85,769</u>
8	Company OPEB Expense As Filed	Company Response To RUCO Data Request 8.04	\$ 87,862
9	RUCO Adjustment (See RLM-3, Page 1, Column (C), Line 22	Line 7 - Line 8	<u>\$ (2,093)</u>

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5
PENSION EXPENSE**

LINE NO.	DESCRIPTION	REFERENCE	(A)
1	Projected AZ-AM 2005 Pension Funding Expense	Company Workpapers	\$ 296,624
2	Active Pension Participants	Company Response To RUCO Data Request 5.05	136
3	Projected AZ-AM 2005 Pension Funding Expense Per Participan	Line 1 / Line 2	<u>\$ 2,181</u>
4	Number Of Full-Time Equivalent Employees Working At Paradise Valley	WP RLM-4, Pg 6, Col. (D), L 43 - L 47 - L 52	11.16
5	Projected Paradise Valley 2005 Pension Funding Expens	Line 3 X Line 4	<u>\$ 24,338</u>
	Less		
	Capitalized Portion		
6	Normalized Capital Labor	RLM-7, Page 1, Line 2	\$ (45,377)
7	Normalized Total Labor	RLM-7, Page 1, Line 3	<u>\$424,255</u>
8	Percentage Capital Labor Is Of Total Labor	Line 6 / Line 7	-10.70%
9		Line 5 X Capital Labor Of 10.70%	(2,603)
10	RUCO Projected Paradise Valley 2005 Pension Funding Expens	Line 5 + Line 9	<u>\$ 21,735</u>
11	Company Pension Expense As Filed	Company Workpapers	\$ 33,772
12	RUCO Adjustment (See RLM-3, Page 1, Column (E), Line 22)	Line 10 - Line 11	<u>\$ (12,037)</u>

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
NORMALIZATION OF LABOR - PROJECTED HOURS AND WAGES**

LINE NO.	DESCRIPTION	REFERENCE	(A) RUCO AS ADJ'TED
1	Total Payroll - Regular & Overtime (Excluding MRTF) - As Adjusted By RUCO	WP RLM-7, Page 3, Col (E), Line 49	\$ 469,632
2	Normalized Total Capitalized Wages - As Calculated By Company	2004 G/L Actuals Plus 3.5% Increase	(45,377)
3	Total Normalized Payroll Expense (Excluding MRTF)	Line 1 + Line 2	<u>\$ 424,255</u>
	Allocation Of Normalized Payroll Expense - As Calculated By Company		
4	Operations Labor @ 73.14%	3 Year Average	\$ 310,300
5	Maintenance Labor @ 26.86%	3 Year Average	113,955
6	Total Normalized Payroll Expense (Excluding MRTF) - As Adjusted By RUCO	Line 4 + Line 5	<u>\$ 424,255</u>
	Normalized Payroll Expense (Excluding MRTF) As Filed By Company		
7	Operations Labor	Company Workpapers	\$ 403,163
8	Maintenance Labor	Company Workpapers	148,056
9	Total Normalized Payroll Expense (Excluding MRTF) As Filed By Company	Line 7 + Line 8	<u>\$ 551,219</u>
	Payroll Adjustments		
10	RUCO Adjustment To Operations Labor (See RLM-3, Pg 1, Col. (G), L 23)	Line 4 - Line 7	<u>\$ (92,863)</u>
11	RUCO Adjustment To Maintenance Labor (See RLM-3, Pg 2, Col. (G), Line 30)	Line 5 - Line 8	<u>(34,101)</u>

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
TEST YEAR DEPRECIATION EXPENSE**

LINE NO.	DESCRIPTION	REFERENCE	(A) RUCO AS ADJ'ED
1	Depreciation Expense On RUCO Adjusted Test Year Total Plant	RLM-8, Page 2, Column (D), Line 47	\$ 1,210,302
2	Amortization Of CIAC	Company Workpapers	(525,004)
3	Amortization Of CPS	Company Workpapers	32,634
4	Amortization Of Mummy Mountain Acquisition	NOTE A	5,256
6	Amortization Of Ratepayers Portion Of "Gain On Sale Of Land"	NOTE B	(78,450)
7	Depreciation Expense On Western Division Corporate District Allocation	RLM-8, Page 3, Column (D), Line 63	3,165
8	RUCO Adjusted Test Year Depreciation Expense	Sum Of Lines 1 Thru 7	<u>\$ 647,903</u>
9	Company Depreciation Expense On Test Year Total Plant As Filed	Company Schedule C-1	720,578
10	RUCO Adjustment (See RLM-3, Page 2, Column (H), Line 32)	Line 8 - Line 9	<u><u>\$ (72,676)</u></u>

NOTE A

Amortization Of Mummy Mountain Acquisition

11	Authorized Mummy Mountain Acquisition Adjustment	Co. Response To RUCO D. R. 2.01	\$ 131,400
12	Authorized Amortization Period	Decision No. 61307, Page 6, Line 18	25 Years
13	Annual Expense For Mummy Mountain Acquisition Adjustment	Line 11 / 25 Years	<u>\$ 5,256</u>

NOTE B

Amortization Of Ratepayers Portion Of "Gain On Sale Of Land"

14	Total Pre-Tax Gain On Sale Of Land	Testimony - Stephenson, Page 36, Line 6	\$ 784,496
15	Ratepayers Portion Of Gain Is A 50-50 Split	Testimony - Stephenson, Page 36, Line 13	(392,248)
16	Amortization Period	Testimony - Stephenson, Page 36, Line 16	5 Years
17	Annual Expense For Ratepayers Portion Of "Gain On Sale Of Land"	Line 15 / 5 Years	<u>\$ (78,450)</u>

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCATION FACTOR	(B) TOTAL PLANT VALUE	(C) APR'D DEP. RATE	(D) TEST YEAR DEPREC'N EXPENSE
Paradise Valley Direct Plant						
1	303.99	Miscellaneous Intangible Plant Studies		\$ -	0.00%	\$ -
2	103000	Property Held For Future Use		-	0.00%	-
3	307000	Wells & Springs		-	0.00%	-
4	311200	Pumping Equipment - Electric		-	0.00%	-
5	311200	Pumping Equipment - Electric		-	0.00%	-
6	301000	Organization		15,350	0.00%	-
7	303200	Reservoir Land		-	0.00%	-
8	303300	Pumping Land & Land Rights		-	0.00%	-
9	303400	WT Land & Land Rights		-	0.00%	-
10	303500	Dist. Res. & Standpipe Land		8,324	0.00%	-
11	303600	Office Land		-	0.00%	-
12	304100	SS Structures & Improvements		7,953	14.59%	1,160
13	304200	Pumping Structures & Improvements		79,626	3.99%	3,177
14	304300	WT Structures & Improvements		3,038,848	2.00%	60,777
15	304400	Grit Removal Equipment		23,864	1.50%	358
16	304500	Structures & Improvements AG		15,173	4.63%	702
17	304610	Heating & Air Conditioning		-	0.00%	-
18	304700	Stores Shop & Garage Structures		93,285	4.63%	4,319
19	304800	Structures & Improvements Misc		149,284	4.63%	6,912
20	307000	Wells & Springs		1,252,563	2.48%	31,064
21	311200	Electric Pumping Equipment		3,337,081	4.39%	146,498
22	311300	Diesel Pumping Equipment		59,421	4.39%	2,609
23	320100	Water Treatment Equipment		5,825,149	7.06%	411,256
24	330001	Dist. Reservoirs & Standpipes		912,619	3.15%	28,747
25	331100	T & D Mains - 4" & Less		706,252	4.17%	29,451
26	331200	T & D Mains - 6" - 8"		3,974,977	2.52%	100,169
27	331300	T & D Mains - 10" or More		5,485,424	2.34%	128,359
28	333000	Services		2,178,858	4.72%	102,842
29	334100	Meters		328,580	7.21%	23,691
30	334200	Meter Installations		103,799	1.51%	1,567
31	335000	Hydrants		746,904	2.10%	15,685
32	339000	Other T & D Plant		-	0.00%	-
33	339600	Other P/E CPS		-	0.00%	-
34	340100	Office Furniture		43,931	4.04%	1,775
35	340200	Computers & Peripherals		98,019	15.89%	15,575
36	340300	Computer Software		134,174	37.71%	50,597
37	340500	Other Office Equipment		25,224	7.13%	1,798
38	341100	Transportation Equip - Light Trucks		2,882	28.05%	808
39	341300	Transportation Equip - Automobiles		19,307	7.80%	1,506
40	341400	Transportation Equipment - Other		13,606	0.93%	127
41	343000	Tools Shop & Garage Equipment		83,291	3.61%	3,007
42	345000	Power Operated Equipment		147,067	4.64%	6,824
43	346001	Communication Equipment		-	9.76%	-
44	346100	Communication Equip - Non-Telephone		284,556	7.91%	22,508
45	346300	Communication Equipment - Other		81,331	7.91%	6,433
46	347000	Miscellaneous Equipment		-	0.00%	-
47	Total Paradise Valley Direct Plant			<u>\$ 29,276,721</u>		<u>\$ 1,210,302</u>

Continued On Following Page

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCATION FACTOR	(B) TOTAL PLANT VALUE	(C) APR'D DEP. RATE	(D) TEST YEAR DEPREC'N EXPENSE
	Corporate Division					
48	304510	Structures & Improvements AG Cap Lease		\$ 197,755	5.63%	\$ 11,134
49	340100	Office Furniture		784,162	4.04%	31,680
50	340200	Computers & Peripherals		47,741	15.89%	7,586
51	340300	Computer Software		1,200,856	37.71%	452,843
52	346100	Communication Equipment - Non-Telephone		236,879	9.76%	23,119
53	346300	Communication Equipment - Other		4,902	7.91%	388
54	Total Corporate Division			<u>\$ 2,472,295</u>		<u>\$ 526,750</u>
55	Service Company Allocation			\$ 1,236,295		
56	AZ-AM Allocation			1,718,418		
57	Paradise Valley District Allocator		0.0360627	<u>61,971</u>		
	Central Division Corporate District					
58	304600	Structure & Improvement Offices		\$ 7	4.63%	\$ 0
59	340100	Office Furniture		734	4.04%	30
60	341100	Transportation Equipment - Light Trucks		270,855	28.05%	75,975
61	343000	Tools Shop & Garage Equipment		13,918	3.61%	502
62	Total Central Division Corporate District			<u>\$ 285,514</u>		<u>\$ 76,507</u>
63	Paradise Valley District Allocator		0.0413664	<u>\$ 11,811</u>		<u>\$ 3,165</u>
	Western Division Corporate District					
64	303600	Land & Land Rights AG		\$ 30,722	0.00%	\$ -
65	340300	Computer Software		833	37.71%	314
66	346200	Communication Equip - Telephone		49,678	9.76%	4,849
67	346300	Communication Equipment - Other		7,985	7.91%	632
68	Total Western Division Corporate District			<u>\$ 89,218</u>		<u>\$ 5,794</u>
69	Paradise Valley District Allocator		-	<u>\$ -</u>		<u>\$ -</u>
70	RUCO Adjusted Paradise Valley District Depreciation Expens					<u>\$ 1,213,467</u>

References:

Columns (A) & (C): Company Workpapers
Column (B): TJC-3
Column (D): Column (B) X Column (C)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
PROPERTY TAX COMPUTATION - Adjustment No. 1

LINE NO.	DESCRIPTION	REFERENCE	(A)
1	Company's Total Property Tax Liability	Company Workpapers	\$ 213,241
2	Exclude Miller Road Treatment Facility Property Tax: MRTF Recorded 2004 Property Tax	Co. Response To RUCO 4.01	\$ (56,844)
3	Company's Total Property Tax Liability (Excluding MRTF	Line 1 + Line 2	<u>\$ 156,397</u>
4	Increase (Decrease) In Property Tax Expense	Line 3 - Line 1	\$ (56,844)
5	RUCO Adjustment (See RLM-3, Page 4, Column (I), Line 33)	Line 4	<u><u>\$ (56,844)</u></u>

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
PROPERTY TAX COMPUTATION - Adjustment No. 2

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Year 2002 (Company Schedule E-6)	Co. Sch. E-6	\$ 5,680,804	
2	Year 2003 (Company Schedule E-6)	Co. Sch. E-6	5,815,830	
3	Year 2004 (Company Schedule E-6)	Co. Sch. E-6	5,422,284	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 16,918,918	
5	Average Annual Operating Revenues	Line 4 / 3	5,639,639	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		\$ 11,279,279
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Co. Sch. B-2, Col. (b), L 3	\$ -	
8	10% Of CWIP	Line 7 X 10%		\$ -
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	Company Worpapers	\$ (22,189)	
10	Acc. Dep. Of Transportation Equipment	Company Worpapers	\$ 2,315	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		\$ (19,874)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		\$ 11,259,405
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio	House Bill 2779	24.5%	
14	Assessed Value	Line 12 X Line 13	\$ 2,758,554	
Property Tax Rates:				
15	Primary Tax Rate - 2004 Tax Notice	Company Workpapers	8.24%	
16	Secondary Tax Rate - 2004 Tax Notice	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	8.24%	
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		\$ 227,178
19	Test Year Adjusted Property Tax Expense As Filing	Co. Sch. C-1		213,241
20	Increase (Decrease) In Property Tax Expense	Line 18 - Line 19		\$ 13,937
21	RUCO Adjustment (See RLM-3, Pg 4, Col. (J), Line 33)	Line 20		\$ 13,937

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
NORMALIZATION OF PAYROLL TAXES**

LINE NO.	DESCRIPTION	REFERENCE	(A)
1	RUCO Adjusted Payroll Expense	RLM-3, Col. (Q), (Pg 3, L 23) + (Pg 4, L 30)	\$ 424,254
2	RUCO Adjusted Normalized FICA-1 @ 6.20% (Max. \$90,000)	Line 1 X 6.30%	\$26,304
3	RUCO Adjusted Normalized FICA-2 @ 1.45%	Line 1 X 1.45%	\$6,152
4	RUCO Adjusted Normalized FUTA @ 0.80%	NOTE A	\$ 1,746
5	RUCO Adjusted Normalized SUTA @ 1.45%	NOTE B	\$ 3,165
6	Total	Sum Of Lines 2, 3, 4 & 5	\$37,367
7	Payroll Taxes As Filed By Company	Company Workpapers	54,571
8	RUCO Adjustment (See RLM-3, Page 4, Column (K), Line33)	Line 5 + Line 6	<u><u>(\$17,204)</u></u>

NOTE A

Calculation Of RUCO Adjusted Normalized FUTA @ 0.80%

9	RUCO Adjusted No. Of Paradise Valley Employees Earning Over \$7,000	WP RLM-4, Pg 5, Col. (E) @ 31	
10	RUCO Adjusted Normalized FUTA @ 0.80%	31 X \$7,000 X 0.80%	\$ 1,736
11	RUCO Adjusted Total Annual Wages For Employees Earning Under \$7,000	WP RLM-4, Pg 5, Col. (E) @ \$1,276	
12	RUCO Adjusted Normalized FUTA @ 0.80%	\$1,276 X 0.80%	10
13	Total RUCO Adjusted Normalized FUTA @ 0.80%	Line 10 + Line 12	<u><u>\$ 1,746</u></u>

NOTE B

Calculation Of RUCO Adjusted Normalized SUTA @ 1.45%

14	RUCO Adjusted No. Of Paradise Valley Employees Earning Over \$7,000	WP RLM-4, Pg 5, Col. (E) @ 31	
15	RUCO Adjusted Normalized SUTA @ 1.45%	31 X \$7,000 X 1.45%	\$ 3,147
16	RUCO Adjusted Total Annual Wages For Employees Earning Under \$7,000	WP RLM-4, Pg 5, Col. (E) @ \$1,276	
17	RUCO Adjusted Normalized SUTA @ 1.45%	\$1,276 X 1.45%	19
18	Total RUCO Adjusted Normalized SUTA @ 1.45%	Line 15 + Line 17	<u><u>\$ 3,165</u></u>

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 11
RUCO ADJUSTMENT TO ALLOCATED ADMINISTRATION AND GENERAL EXPENSES

LINE NO.	DESCRIPTION	REFERENCE	(A) AMOUNT
1	Management Fees & Misc. Corp. Office Allocated Expenses As Filed By Co.	Company Workpapers	\$ 699,950
2	RUCO Adjustment To Management Fees Allocated Expenses	Testimony To Remove Incentive Bonuses	(62,478)
3	RUCO Adjustment To Miscellaneous Central Division Allocated Expenses	RLM-12, Pg 2, Col. (E), L 43	(1,204)
4	RUCO Adjustment To Miscellaneous Corporate Allocated Expenses	RLM-12, Pg 4, Col. (E), L 61	(18,233)
5	RUCO Adjusted Administration And General Allocated Expenses	Sum Of Lines 1 Thru 4	<u>\$ 618,034</u>
6	RUCO Adjustment (See RLM-3, Page 3, Column (L), Line 22)	Line 5 - Line 1	<u>\$ (81,915)</u>

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12
RUCO ADJUSTMENT TO MISCELLANEOUS CENTRAL DIVISION EXPENSES

LINE NO.	(A) ACCOUNT NO.	(B) ACCOUNT NO.	(C) ACCOUNT DESCRIPTION	(D) YTD 2004 ACTUAL	(E) RUCO ADJUSTMENT
1	504500	16	Other Welf Oper AG	\$ 6,978	\$ 274
2	504610	16	Employee Awards AG	931	231
3	504620	16	Employee Physical Exam AG	8,601	-
4	504660	16	Tuition Aid AG	13,760	-
5	504670	16	Training AG	16,082	-
6	507100	16	401k Oper AG	5,435	-
7	508100	16	EIP Oper AG	5,129	-
8	520100	11	M & S Oper SS	26	26
9	520100	14	M & S Oper TD	570	-
10	535001	16	Contr Svc-Temp Empl Oper AG	500	-
11	550000	11	Trans Oper SS	148	-
12	550000	13	Trans Oper WT	10	-
13	550000	16	Trans Oper AG	-14,731	-
14	550000	24	Transport Maint TD	56,081	-
15	550001	16	Trans Oper AG Lease Cost	51,784	-
16	550002	16	Trans Oper AG Lease Fuel	142,452	-
17	550003	16	Trans Oper AG Lease Maint	124,993	-
18	575000	13	Misc Oper WT	509	-
19	575000	14	Misc Oper TD	50,945	1,989
20	575000	16	Misc Oper AG	4,474	-
21	575180	11	Charts SS	-948	-
22	575220	16	Community Relations	-2,115	1,879
23	575240	16	Co Dues/Membership Deduct	-12,642	-
24	575242	16	Co Dues Deduct AWWA	-9,478	-
25	575244	16	Co Dues Deduct NAWC	-474	-
26	575460	11	Grounds Keeping SS	1,282	32
27	575460	16	Grounds Keeping AG	9,637	9,137
28	575490	16	Injuries and Damages	-6,872	-
29	575500	13	Janitorial WT	8,450	-
30	575500	14	Janitorial TD	1,313	-
31	575545	13	Lab Supplies WT	-11,849	-
32	575625	16	Overnight Shipping AG	12,913	-
33	575710	13	Security Service WT	155	-
34	575710	16	Security Service AG	10,759	1,261
35	575711	16	Add'l Security Costs AG	13,586	-
36	575720	11	Telemetetering SS	956	-
37	575780	14	Trash Removal TD	25	-
38	575820	11	Uniforms SS	1,822	-
39	575820	13	Uniforms WT	6,119	-
40	575820	14	Uniforms TD	39,986	-
41	TOTALS	P21 Miscellaneous		<u>\$ 537,302</u>	<u>\$ 14,829</u>
42	ARIZONA CORPORATION ALLOCATION FACTOR				8.12%
43	RUCO ADJUSTMENT TO ALLOCATED CORPORATE MISCELLANEOUS EXPENSE				<u><u>\$ 1,204</u></u>

References:

Columns (A) Thru (D): Company's Response To RUCO Data Request 9.03
Column (E): RLM-12, Pages 5 Thru 7

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12
RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES

LINE NO.	(A) ACCOUNT NO.	(B)	(C) ACCOUNT DESCRIPTION	(D) YTD 2004 ACTUAL	(E) RUCO ADJUSTMENT
1	504500	11	Other Welf Oper SS	\$ 1,575	\$ -
2	504500	14	Other Welf Oper TD	1,400	-
3	504500	16	Other Welf Oper AG	79,784	5,820
4	504610	16	Employee Awards AG	1,806	96
5	504620	16	Employee Physical Exam AG	27,154	543
6	504660	16	Tuition Aid AG	15,164	-
7	504670	16	Training AG	23,784	-
8	507100	11	401k Oper SS	980	-
9	507100	16	401k Oper AG	13,697	-
10	508100	16	EIP Oper AG	10,406	-
11	520100	11	M & S Oper SS	-63	-
12	520100	12	M & S Oper P	-82	-
13	520100	13	M & S Oper WT	-107	-
14	520100	14	M & S Oper TD	-787	-
15	532000	11	Contr Svc-Acctg Oper SS	18,093	-
16	532000	16	Contr Svc-Acctg Oper AG	55,300	-
17	533000	13	Contr Svc-Legal Oper WT	81	81
18	533000	16	Contr Svc-Legal Oper AG	-33,333	306
19	535000	15	Contr Svc-Other Oper CA	341	-
20	535000	16	Contr Svc-Other Oper AG	80,494	33,660
21	535001	16	Contr Svc-Temp Empl Oper AG	94,590	1,023
22	536000	11	Contr Svc-Lab Testing Oper	19,145	-
23	550000	16	Trans Oper AG	-47,092	-
24	550001	16	Trans Oper AG Lease Cost	2,620	-
25	550002	16	Trans Oper AG Lease Fuel	23,880	-
26	550003	16	Trans Oper AG Lease Maint	15,132	-
27	556000	16	Ins Vehicle Oper AG	79,223	-
28	575000	11	Misc Oper SS	7,371	-
29	575000	13	Misc Oper WT	2,348	-
30	575000	14	Misc Oper TD	44,845	-
31	575000	16	Misc Oper AG	321,367	-
32	575001	16	Misc Oper Exp AG Consol	23,842	-
33	575030	16	Advertising	7,562	7,583
34	575120	16	Bill Inserts AG	47,156	-
35	575130	16	Brochures and Handouts	1,585	-
36	575140	16	Charitable Contrib Deduct	220	220
37	575220	16	Community Relations	13,806	11,310
38	575240	16	Co Dues/Membership Deduct	13,275	5,888
39	575242	16	Co Dues Deduct AWWA	50	-
40	575244	16	Co Dues Deduct NAWC	17,895	17,895
41	575245	16	Co Dues Nondeduct NAWC	3,928	3,928
42	575270	16	Directors Fees	12,750	12,750
43	575271	16	Directors Expenses	2,937	2,937
44	575275	16	Discounts Available	-847	-
45	575276	16	Discounts Lost	503	-
46	575400	16	Bus Servies Proj Exp	105,120	105,120

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12
RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D**

LINE NO.	(A) ACCOUNT NO.	(B)	(C) ACCOUNT DESCRIPTION	(D) YTD 2004 ACTUAL	(E) RUCO ADJUSTMENT
47	575545	13	Lab Supplies WT	\$ (498)	\$ -
48	575625	16	Overnight Shipping AG	3,547	-
49	575680	16	Research & Development Exp	5,673	-
50	575710	16	Security Service AG	11,699	1,745
51	575711	16	Add'l Security Costs AG	723	-
52	575715	16	Software Licenses & Support	71,281	-
53	575720	11	Telemetering SS	4,000	4,000
54	575790	16	Trustee Fees AG	22,691	-
55	575820	11	Uniforms SS	13,231	-
56	575820	14	Uniforms TD	836	-
57	575830	11	Wtr & Waste Wtr Exp SS	250	-
58	575998	16	PCard Undistributed	29,443	9,642
59	TOTALS		P21 Miscellaneous	<u>\$ 1,271,774</u>	<u>\$ 224,545</u>
60	ARIZONA CORPORATION ALLOCATION FACTOR				8.12%
61	RUCO ADJUSTMENT TO ALLOCATED CORPORATE MISCELLANEOUS EXPENSE				<u><u>\$ 18,233</u></u>

References:

Columns (A) Thru (D): Company's Response To RUCO Data Request 9.03
Column (E): RLM-12, Pages 8 Thru 18

RUCO ADJUSTMENT TO MISCELLANEOUS CENTRAL DIVISION EXPENSES

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(C) ACCOUNT DESCRIPTION	(D) RUCO ADJUSTMENT	(E) RUCO EXPLANATION
1	504500	16	192504 PHYLLIS WINDHAM LAKESIDE FLORIST	62.45	Not Required For Provisioning Of Service
2	504500	16	203116 PHYLLIS WINDHAM LAKESIDE FLORIST	49.02	Not Required For Provisioning Of Service
3	504500	16	206728 PHYLLIS WINDHAM LAKESIDE FLORIST	43.71	Not Required For Provisioning Of Service
4	504500	16	220366 PHYLLIS WINDHAM LAKESIDE FLORIST	51.63	Not Required For Provisioning Of Service
5	504500	16	220366 PHYLLIS WINDHAM LAKESIDE FLORIST	51.63	Not Required For Provisioning Of Service
6	504500	16	2324 Rev Dupl P-Card Posting 7-8-04 PHYLLIS WINDHAM	-51.63	Not Required For Provisioning Of Service
7	504500	16	284100 PHYLLIS WINDHAM LAKESIDE FLORIST	67.22	Not Required For Provisioning Of Service
8	TOTAL			\$ 274	
9	504610	16	131582 PHYLLIS WINDHAM ARROWHEAD TOWNE CENTER	25.25	Not Required For Provisioning Of Service
10	504610	16	131758 PHYLLIS WINDHAM WM SUPERCENTER SE	40.00	Not Required For Provisioning Of Service
11	504610	16	150244 PHYLLIS WINDHAM THINGS REMEMBERED	90.25	Not Required For Provisioning Of Service
12	504610	16	175588 PHYLLIS WINDHAM WM SUPERCENTER SE	25.00	Not Required For Provisioning Of Service
13	504610	16	229863 PHYLLIS WINDHAM TARGET	25.00	Not Required For Provisioning Of Service
14	504610	16	262526 PHYLLIS WINDHAM TARGET	25.00	Not Required For Provisioning Of Service
15	TOTAL			\$ 231	
16	520100	11	227060 JAMES TAYLOR ALBERTSONS #1004 S9H	26.29	Not Required For Provisioning Of Service
17	TOTAL			\$ 26	
18	575000	14	131532 ROBERT GARCIA THE HOME DEPOT	0.00	
19	575000	14	139865 ROBERT GARCIA ACE HARDWARE	0.00	
20	575000	14	143194 ROBERT GARCIA THE HOME DEPOT	0.00	
21	575000	14	143237 ROBERT GARCIA THE HOME DEPOT	0.00	
22	575000	14	150232 ROBERT GARCIA ACE HARDWARE	0.00	
23	575000	14	40682370 Ice Wagon The-PO/REMIT ice	160.85	Not Required For Provisioning Of Service
24	575000	14	162317 ROBERT GARCIA ACE HARDWARE	0.00	
25	575000	14	40698886 Ice Wagon The-PO/REMIT ice	83.02	Not Required For Provisioning Of Service
26	575000	14	40748478 Ice Wagon The-PO/REMIT SERVICES RENDERED	140.10	Not Required For Provisioning Of Service
27	575000	14	40755859 Ice Wagon The-PO/REMIT ICE	129.72	Not Required For Provisioning Of Service
28	575000	14	203086 ROBERT GARCIA THE HOME DEPOT	0.00	
29	575000	14	206699 ROBERT GARCIA THE HOME DEPOT	0.00	
30	575000	14	210309 ROBERT GARCIA THE HOME DEPOT	0.00	
31	575000	14	40779690 Ice Wagon The-PO/REMIT ICE	114.15	Not Required For Provisioning Of Service
32	575000	14	223893 ROBERT GARCIA LOWE'S	0.00	
33	575000	14	40805355 Ice Wagon The-PO/REMIT SUPPLIES	134.91	Not Required For Provisioning Of Service
34	575000	14	40819815 Ice Wagon The-PO/REMIT ICE	64.86	Not Required For Provisioning Of Service
35	575000	14	240438 ROBERT GARCIA ACE HARDWARE	0.00	
36	575000	14	40825634 Ice Wagon The-PO/REMIT SERVICES RENDERED	119.34	Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CENTRAL DIVISION EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
37	575000	14	246766 BERT L REYNOLDS	THE HOME DEPOT	0.00		
38	575000	14	40833380 Ice Wagon The-PO/REMIT	ICE	129.72		Not Required For Provisioning Of Service
39	575000	14	40836149 Ice Wagon The-PO/REMIT	ICE	119.34		Not Required For Provisioning Of Service
40	575000	14	256093 ROBERT GARCIA	ACE HARDWARE	0.00		
41	575000	14	40849808 Ice Wagon The-PO/REMIT	ICE	140.10		Not Required For Provisioning Of Service
42	575000	14	40863561 Ice Wagon The-PO/REMIT	ICE	134.91		Not Required For Provisioning Of Service
43	575000	14	40876513 Ice Wagon The-PO/REMIT	ICE	111.20		Not Required For Provisioning Of Service
44	575000	14	284084 BERT L REYNOLDS	THE HOME DEPOT	0.00		
45	575000	14	40897229 Ice Wagon The-PO/REMIT	Ice Svc.	72.64		Not Required For Provisioning Of Service
46	575000	14	40897260 Ice Wagon The-PO/REMIT	Ice Svc.	145.29		Not Required For Provisioning Of Service
47	575000	14	299190 BERT L REYNOLDS	SAFEWAY STORE	45.00		Not Required For Provisioning Of Service
48	575000	14	299191 BERT L REYNOLDS	SAFEWAY STORE	45.00		Not Required For Provisioning Of Service
49	575000	14	299192 BERT L REYNOLDS	THE HOME DEPOT	0.00		
50	575000	14	299405 BERT L REYNOLDS	THE HOME DEPOT	0.00		
51	575000	14	299431 BERT L REYNOLDS	THE HOME DEPOT	0.00		
52	575000	14	40918531 Ice Wagon The-PO/REMIT	bal 186907 and 191983 AZAW	38.92		Not Required For Provisioning Of Service
53	575000	14	40918531 Ice Wagon The-PO/REMIT	bal 186907 and 191983 AZAW	60.00		Not Required For Provisioning Of Service
54	TOTAL					\$ 1,989	
55	575220	16	40637756 Community Calendar - REMIT	" " "	434.13		Non-Typical, Non-Recurring Expense
56	575220	16	136457 PHYLLIS WINDHAM	CITY OF SURPRISE PKS &	195.75		Non-Typical, Non-Recurring Expense
57	575220	16	139923 PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	652.50		Non-Typical, Non-Recurring Expense
58	575220	16	40699361 Huckleby, Nancy J -Petty Cash	Add Placement	75.00		Non-Typical, Non-Recurring Expense
59	575220	16	40842045 Sun City Visitors Ctr	Community Relations	435.00		Non-Typical, Non-Recurring Expense
60	575220	16	40849625 Buckeye Union High School	Community Relations	87.00		Non-Typical, Non-Recurring Expense
61	TOTAL					\$ 1,879	
62	575240	16	146959 PHYLLIS WINDHAM	AMERICAN WATER WORKS	0.00		
63	575240	16	146960 PHYLLIS WINDHAM	AMERICAN WATER WORKS	0.00		
64	575240	16	40699361 Huckleby, Nancy J -Petty Cash	Operator Certification	0.00		
65	575240	16	246793 ARTHUR W FAIELLO	AWPCA	0.00		
66	575240	16	273277 PHYLLIS WINDHAM	TECHNICAL LEARNING CON	0.00		
67	TOTAL					\$ -	
68	575460	11	266460 JAMES TAYLOR	STEVEN S DIAZ LAWN MAI	0.00		
69	575460	11	266492 JAMES TAYLOR	PRIMM VALLEY HOTEL - B	32.00		Not Required For Provisioning Of Service
70	TOTAL					\$ 32	

RUCO ADJUSTMENT TO MISCELLANEOUS CENTRAL DIVISION EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(C) ACCOUNT DESCRIPTION	(D) RUCO ADJUSTMENT	(E) RUCO EXPLANATION
71	575460	16	131764 STEVE URAINE STEVEN S DIAZ LAWN MAI	760.00	Not Required For Provisioning Of Service
72	575460	16	146953 STEVE URAINE STEVEN S DIAZ LAWN MAI	760.00	Not Required For Provisioning Of Service
73	575460	16	40688640 Broken Arrow Landscape - REMIT LAWN MAINTENANCE - AZ AMERIC	760.00	Not Required For Provisioning Of Service
74	575460	16	40734076 Broken Arrow Landscape - REMIT Lawn Maintenance/AZ Amr Wtr	760.00	Not Required For Provisioning Of Service
75	575460	16	40735959 Broken Arrow Landscape - REMIT LawnMaintnence/AZ Amer wtr	760.00	Not Required For Provisioning Of Service
76	575460	16	40757003 Broken Arrow Landscape - REMIT LawnMaintnence/AZ Amer wtr	760.00	Not Required For Provisioning Of Service
77	575460	16	40783732 Broken Arrow Landscape - REMIT LawnMaintnence/AZ Amer wtr	760.00	Not Required For Provisioning Of Service
78	575460	16	40806191 Broken Arrow Landscape - REMIT LawnMaintnence/AZ Amer wtr	760.00	Not Required For Provisioning Of Service
79	575460	16	40832602 Broken Arrow Landscape - REMIT LawnMaintnence/AZ Amer wtr	760.00	Not Required For Provisioning Of Service
80	575460	16	40857439 Broken Arrow Landscape - REMIT LawnMaintnence/AZ Amer wtr	760.00	Not Required For Provisioning Of Service
81	575460	16	266490 JAMES TAYLOR BUFFALO BILL'S-MIZ ASH	9.62	Not Required For Provisioning Of Service
82	575460	16	266491 JAMES TAYLOR PRIMM VALLEY - GIFT SH	7.25	Not Required For Provisioning Of Service
83	575460	16	40880026 Broken Arrow Landscape - REMIT LawnMaintnence/AZ Amer wtr	760.00	Not Required For Provisioning Of Service
84	575460	16	40903469 Broken Arrow Landscape - REMIT LawnMaintnence/AZ Amer wtr	760.00	Not Required For Provisioning Of Service
85	TOTAL			\$ 9,137	
86	575710	16	40757916 Sonitrol(Most Use)REMIT ParadiseValley SECUR-MRTF	180.09	Expenses Are To Exclude MRTF
87	575710	16	40783713 Sonitrol(Most Use)REMIT ParadiseValley SECUR-MRTF	180.09	Expenses Are To Exclude MRTF
88	575710	16	40806172 Sonitrol(Most Use)REMIT ParadiseValley SECUR-MRTF	180.09	Expenses Are To Exclude MRTF
89	575710	16	40832583 Sonitrol(Most Use)REMIT ParadiseValley SECUR-MRTF	180.09	Expenses Are To Exclude MRTF
90	575710	16	40857420 Sonitrol(Most Use)REMIT ParadiseValley SECUR-MRTF	180.09	Expenses Are To Exclude MRTF
91	575710	16	40880006 Sonitrol(Most Use)REMIT ParadiseValley SECUR-MRTF	180.09	Expenses Are To Exclude MRTF
92	575710	16	40903448 Sonitrol(Most Use)REMIT ParadiseValley SECUR-MRTF	180.09	Expenses Are To Exclude MRTF
93	TOTAL			\$ 1,261	
94	575820	13	143221 JEFFEREY A MARLOW WAL MART	0.00	
95	575820	13	182354 HECTOR F DELGADILLO WM SUPERCENTER SE	0.00	
96	575820	13	250119 THOMAS G WINTER WM SUPERCENTER SE	0.00	
97	575820	13	256090 THOMAS G WINTER WM SUPERCENTER SE	0.00	
98	575820	13	276685 MARY MCREYNOLDS SEARS ROEBUCK	0.00	
99	TOTAL			\$ -	
100	575820	14	168692 JAMES TAYLOR SPORTSMANS WAREHOUSE N	0.00	
101	575820	14	179107 GILBERT CORDOVA SPORTSMANS WAREHOUSE N	0.00	
102	TOTAL			\$ -	
319	GRAND TOTAL OF RUCO'S ADJUSTMENT			\$ 14,829	

References: Columns (A) Thru (F): Company's Response To RUCO Data Request 7.04.b.
Column (G): Sum Of Column (F)
Column (H): RUCO's Explanation For Denying Expense

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(C) ACCOUNT DESCRIPTION	(D) RUCO ADJUSTMENT	(E) RUCO EXPLANATION
1	504500	16	40641381 Professional Plants & Inc-PO/R MAINT. OFFICE FOILAGE	\$ 41.25	Not Required For Provisioning Of Service
2	504500	16	40664592 Professional Plants & Inc-PO/R MAINT. OFFICE FOILAGE	41.25	Not Required For Provisioning Of Service
3	504500	16	40674027 Professional Plants & Inc-PO/R MAINT. OFFICE FOILAGE	41.25	Not Required For Provisioning Of Service
4	504500	16	40698865 Professional Plants & Inc-PO/R BROMELIAD REPLACEMENT	37.10	Not Required For Provisioning Of Service
5	504500	16	40734404 Professional Plants & Inc-PO/R SERVICES	41.25	Not Required For Provisioning Of Service
6	504500	16	40757016 Professional Plants & Inc-PO/R SERVICES	41.25	Not Required For Provisioning Of Service
7	504500	16	218545 LINDA C STILLMAN THE BEE ADVERTISING	1,308.41	Marketing Does Not Benefit Ratepayers
8	504500	16	40783745 Professional Plants & Inc-PO/R SERVICES	41.25	Not Required For Provisioning Of Service
9	504500	16	229982 KATHLEEN M WHEAT THE BEE ADVERTISING	1,599.17	Marketing Does Not Benefit Ratepayers
10	504500	16	40815236 Professional Plants & Inc-PO/R NEW PLANR & CONTAINER	55.96	Not Required For Provisioning Of Service
11	504500	16	40806204 Professional Plants & Inc-PO/R SERVICES	41.25	Not Required For Provisioning Of Service
12	504500	16	40827521 News West Publishing Inc ADVERTISEMENT	766.48	Marketing Does Not Benefit Ratepayers
13	504500	16	40832615 Professional Plants & Inc-PO/R SERVICES	41.25	Not Required For Provisioning Of Service
14	504500	16	40857452 Professional Plants & Inc-PO/R SERVICES	41.25	Not Required For Provisioning Of Service
15	504500	16	40880039 Professional Plants & Inc-PO/R SERVICES	41.25	Not Required For Provisioning Of Service
16	504500	16	284176 KATHLEEN M WHEAT THE BEE ADVERTISING	1,599.17	Marketing Does Not Benefit Ratepayers
17	504500	16	40903481 Professional Plants & Inc-PO/R SERVICES	41.25	Not Required For Provisioning Of Service
18	TOTAL			\$ 5,820	
19	504610	16	199215 AMY YATES THINGS REMEMBERED	\$ 55.84	Not Required For Provisioning Of Service
20	504610	16	227023 KARL WILKINS DILLONS RESTAURANT	40.00	Not Required For Provisioning Of Service
21	TOTAL			\$ 96	
22	504620	16	40855669 Arthur L Davis Publishing Agen ADVERTISING	\$ 542.52	Marketing Does Not Benefit Ratepayers
23	TOTAL			\$ 543	
24	533000	13	40910138 Fennemore Craig - REMIT Acquisition of Citizens	\$ 80.50	Non-Typical, Non-Recurring Expense
25	TOTAL			\$ 81	
26	533000	16	40739307 Fennemore Craig - REMIT STATE WATER INITIATIVE	\$ 14.86	Non-Typical, Non-Recurring Expense
27	533000	16	40766826 Fennemore Craig - REMIT THIRD MANAGEMENT PLAN	97.50	Non-Typical, Non-Recurring Expense
28	533000	16	40766829 Fennemore Craig - REMIT STATE WATER INITIATIVE	0.74	Non-Typical, Non-Recurring Expense
29	533000	16	40910154 Fennemore Craig - REMIT Third Management Plan	130.00	Non-Typical, Non-Recurring Expense
30	533000	16	40910160 Fennemore Craig - REMIT State Water Initiative	63.00	Non-Typical, Non-Recurring Expense
31	TOTAL			\$ 306	
32	535000	16	40876245 M R Of Keystone/Vail Inc FEE FOR ENGINEERING MGR	\$ 33,660.00	Expense To Be Capitalized
33	TOTAL			\$ 33,660	

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
34	535001	16	40901513	The Wagner Partnership - PO/RE Layout Expansion Study	\$ 1,022.50		Expense To Be Amortized
35	TOTAL					\$ 1,023	
36	575000	16	30011349	Amortize Syndicated Line Exp	\$ -		
37	575000	16	30011349	Amortize Syndicated Line Exp	0.00		
38	575000	16	40714697	GreenStripe Media Inc - REMIT	0.00		
39	575000	16	30011349	Amortize Syndicated Line Exp	0.00		
40	575000	16	30011349	Amortize Syndicated Line Exp	0.00		
41	575000	16	30011349	Amortize Syndicated Line Exp	0.00		
42	575000	16	213669	BOBBI J TROUT	0.00		
43	575000	16	30011349	Amortize Syndicated Line Exp	0.00		
44	575000	16	30011349	Amortize Syndicated Line Exp	0.00		
45	575000	16	30011349	Amortize Syndicated Line Exp	0.00		
46	575000	16	262549	KARL WILKINS	0.00		
47	575000	16	30011349	Amortize Syndicated Line Exp	0.00		
48	575000	16	30011349	Amortize Syndicated Line Exp	0.00		
49	575000	16	188949	MICHAEL J HERNANDEZ	0.00		
50	TOTAL					\$ -	
51	575001	16	40709043	Maricopa County Env Svc Dept	\$ -		
52	TOTAL					\$ -	
53	575030	16	40652395	Woodenship Advertising & Publi	\$ 732.00		Marketing Does Not Benefit Ratepayers
54	575030	16	40692357	Woodenship Advertising & Publi	615.50		Marketing Does Not Benefit Ratepayers
55	575030	16	40729140	Woodenship Advertising & Publi	445.13		Marketing Does Not Benefit Ratepayers
56	575030	16	250159	KATHLEEN M WHEAT	3,188.68		Marketing Does Not Benefit Ratepayers
57	575030	16	250161	KATHLEEN M WHEAT	998.23		Marketing Does Not Benefit Ratepayers
58	575030	16	250167	KATHLEEN M WHEAT	1,166.55		Marketing Does Not Benefit Ratepayers
59	575030	16	40918908	Woodenship Advertising & Publi	436.50		Marketing Does Not Benefit Ratepayers
60	TOTAL					\$ 7,583	
61	575120	16	40692354	Woodenship Advertising & Publi	\$ -		
62	575120	16	40698482	Woodenship Advertising & Publi	0.00		
63	575120	16	40725448	Woodenship Advertising & Publi	0.00		
64	575120	16	40725451	Alcom Printing Group Inc	0.00		
65	575120	16	40729148	Direct Impact Marketing	0.00		
66	575120	16	40783815	Direct Impact Marketing	0.00		
67	575120	16	40870927	Direct Impact Marketing	0.00		

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
68	575120	16	40909439 Woodenship Advertising & Publi	CA04227	\$ -		
69	575120	16	40676046 Direct Impact	coordination,product	0.00		
70	575120	16	40718273 Direct Impact Marketing	SERVICE RENDERED	0.00		
71	575120	16	40780934 Direct Impact Marketing	2003 CCR	0.00		
72	575120	16	40787735 Direct Impact Marketing	2003 CCP	0.00		
73	575120	16	40843538 Advanced Communications Agency	PRINTING BILL INSERT	0.00		
74	TOTAL					\$ -	
75	575140	16	199220 RAY L JONES	NSPE MEMBERSHIP DUES	\$ 220.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
76	TOTAL					\$ 220	
77	575220	16	40647606 West Valley Fine Arts Council	cust id azam	\$ 3,750.00		Not Required For Provisioning Of Service
78	575220	16	131526 PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	450.00		Not Required For Provisioning Of Service
79	575220	16	131527 PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	-450.00		Not Required For Provisioning Of Service
80	575220	16	40654417 Sandra Day O'Connor Yearbook	Company Contribution	64.35		Not Required For Provisioning Of Service
81	575220	16	143171 MELISSA SADOSKI	BIG LOTS	15.71		Not Required For Provisioning Of Service
82	575220	16	40669745 Deer Valley Education Foundati	Contribution to DV Spelling B	100.00		Not Required For Provisioning Of Service
83	575220	16	150250 PHYLLIS WINDHAM	WESTSIDE FOOD BANK	500.00		Not Required For Provisioning Of Service
84	575220	16	40676722 Sun Cities Senior Softball Clu	Contribution-Softball Tourn.	100.00		Not Required For Provisioning Of Service
85	575220	16	40689379 Surprise Sundancers	Charity Game/Dinner Reception	495.00		Not Required For Provisioning Of Service
86	575220	16	40693471 Southwest Valley Chamber of Co	Goodyear relations	25.00		Not Required For Provisioning Of Service
87	575220	16	40698956 City of Surprise - REMIT	Community Relations	1,500.00		Not Required For Provisioning Of Service
88	575220	16	175526 AMY YATES	ANTHEM COMMUNITY CNT	105.60		Not Required For Provisioning Of Service
89	575220	16	40734706 Arizona Municipal Water Users	ARIZONA DESERT BROCH	196.35		Not Required For Provisioning Of Service
90	575220	16	192457 AMY YATES	ANTHEM COMMUNITY CNT	20.00		Not Required For Provisioning Of Service
91	575220	16	203053 FRED SCHNEIDER	BOYS CLUB OF PHX	100.00		Not Required For Provisioning Of Service
92	575220	16	210352 PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	448.05		Not Required For Provisioning Of Service
93	575220	16	40693471 Southwest Valley Chamber of Co	Goodyear relations	-25.00		Not Required For Provisioning Of Service
94	575220	16	40856422 Maricopa Water District - REMI	Pleasant Harbor July 4th	1,000.00		Not Required For Provisioning Of Service
95	575220	16	40877088 Southwest Valley Chamber of Co	GOLF TOURNAMENT SPONSOR	150.00		Not Required For Provisioning Of Service
96	575220	16	273284 PHYLLIS WINDHAM	BUCKEYE VALLEY CHA	25.00		Not Required For Provisioning Of Service
97	575220	16	40877690 PORA	Contribution to PORA's	100.00		Not Required For Provisioning Of Service
98	575220	16	280341 PHYLLIS WINDHAM	ANTHEM COMMUNITY CNT	1,000.00		Not Required For Provisioning Of Service
99	575220	16	284095 PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	860.00		Not Required For Provisioning Of Service
100	575220	16	40912872 Sheriff's Posse of Sun City	Fund Drive Donation	300.00		Not Required For Provisioning Of Service
101	575220	16	40918895 Woodenship Advertising & Publi	PROJECT CA04187	480.00		Not Required For Provisioning Of Service
102	TOTAL					\$ 11,310	

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(C) ACCOUNT DESCRIPTION	(D)	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
103	575240	16	30125251	FASTR - YRENDACCRL 00023	Year End Accrual	\$ -		
104	575240	16	131557	AMY YATES	DAILY NEWS SUN	0.00		
105	575240	16	131580	AMY YATES	ARIZONA CAPITOL TIMES	0.00		
106	575240	16	40676721	League of Arizona Cities and T	Directory, Local Government	0.00		
107	575240	16	40685384	SECRETARY OF STATE-ATTN NOT	Notary for Bobbi Trout	0.00		
108	575240	16	40685385	Clerk of Superior Court-REMIT	Notary for Bobbi Trout	0.00		
109	575240	16	165279	SHIRLEY L WATKINS	M LEE SMITH PUBLISHERS	0.00		
110	575240	16	40706972	Goodyear, City of	Westcaps Membership dues	0.00		
111	575240	16	175531	MELISSA SADOSKI	ELEMENT K PRESS JOURNA	0.00		
112	575240	16	175532	MELISSA SADOSKI	ELEMENT K PRESS JOURNA	0.00		
113	575240	16	175564	SHIRLEY L WATKINS	SOCIETY FOR HUMAN RESO	160.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
114	575240	16	40717432	Water Utilities Association of	Membership Dues	0.00		
115	575240	16	40719760	WESTMARC - REMIT	DUES ANNUAL MEETING 01/26/04	3.30		Expenses Denied In Prior AZ-AM Dec. No. 6709:
116	575240	16	40729083	WESTMARC - REMIT	RAY JONES -MEMBERSHIP DUES	1,650.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
117	575240	16	40732253	Auia - Remit	QTRLY JAN-MAR 2004	412.50		Expenses Denied In Prior AZ-AM Dec. No. 6709:
118	575240	16	40732255	Auia - Remit	2ND QTR APR-JUNE 2004	412.50		Expenses Denied In Prior AZ-AM Dec. No. 6709:
119	575240	16	2329	P-Card Corrections 575998		0.00		
120	575240	16	199189	AMY YATES	AMER WATER WORKS LB	0.00		
121	575240	16	199286	ANITRIA HAIRSTON	NNA NATL NOTARY ASSN	0.00		
122	575240	16	40754124	Arizona State Board of Tech Re	Dale Conover PE Registration	0.00		
123	575240	16	30143054	FASTR - F1ACCRUALS F1_4_00023	F1/4 Accrual - Period 5	0.00		
124	575240	16	30143054	FASTR - F1ACCRUALS F1_4_00023	F1/4 Accrual - Period 5	0.00		
125	575240	16	210258	MELISSA SADOSKI	NNA NATL NOTARY ASSN	0.00		
126	575240	16	30148613	FASTR - F1ACCRUALS F2_5_00023	F2 Accrual - Period 6	0.00		
127	575240	16	30148613	FASTR - F1ACCRUALS F2_5_00023	F2 Accrual - Period 6	0.00		
128	575240	16	30152116	FASTR - F2ACCRUALS F2_4_00023	F2 Accrual - Period 7	0.00		
129	575240	16	30152116	FASTR - F2ACCRUALS F2_4_00023	F2 Accrual - Period 7	0.00		
130	575240	16	40816209	Arizona Utility Investors Asso	3RD QTR JULY-SEPT 2004	1,250.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
131	575240	16	240462	DALE E CONOVER	ARIZONA HYDROLOGICAL S	0.00		
132	575240	16	240482	DALE E CONOVER	ASSN. OF ENGIN GEOLOGI	0.00		
133	575240	16	30156087	FASTR - F1ACCRUALS F2_4_00023	F2 Accrual - Period 8	0.00		
134	575240	16	30156087	FASTR - F1ACCRUALS F2_4_00023	F2 Accrual - Period 8	0.00		
135	575240	16	2325	Reclass Undist P-Card Errors	CC236912	0.00		
136	575240	16	40842042	State of Arizona	Registration	0.00		
137	575240	16	40846250	State of Arizona Bd of Technic	Renewal of Cert	0.00		
138	575240	16	30160994	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 9	0.00		
139	575240	16	30160994	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 9	0.00		
140	575240	16	40676721	League of Arizona Cities and T	Directory, Local Government	0.00		

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(C) ACCOUNT DESCRIPTION	(D) RUCO ADJUSTMENT	(E) RUCO EXPLANATION	(F)	(G)	(H)
141	575240	16	266444 CAMILA C FERNANDEZ	AMERICAN WATER WORKS	\$ -			
142	575240	16	40842042 State of Arizona	Registration	0.00			
143	575240	16	30164162 FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 10	0.00			
144	575240	16	30164162 FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 10	0.00			
145	575240	16	276692 ANITRIA HAIRSTON	ASCE-RESTON VA	0.00			
146	575240	16	280343 PHYLLIS WINDHAM	WATER EDUCATION FOUNDA	0.00			
147	575240	16	30169523 FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 11	0.00			
148	575240	16	30169523 FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 11	0.00			
149	575240	16	292634 ANITRIA HAIRSTON	AMERICAN WATER WORKS	0.00			
150	575240	16	40912869 Phoenix, City of - Finance Dep	CASS dues for Fiscal Yr 2005	0.00			
151	575240	16	40915453 Investor Owned Water Utility A	ANNUAL MEMBERSHIP DUES	2,000.00			Expenses Denied In Prior AZ-AM Dec. No. 6709:
152	575240	16	30178684 FASTR - F1ACCRUALS F4_23	F4 Accrual - Period	0.00			
153	575240	16	262458 MICHAEL J HERNANDEZ	AMERICAN BACKFLOW PREV	0.00			
154	TOTAL					\$	5,888	
155	575242	16	American Water Works Assoc-AWW CUST 00533330		\$ -			
156	TOTAL					\$	-	
157	575244	16	40713015 NAWC-Washington DC	NAWC 2004 Dues	\$ 17,895.00			Expenses Denied In Prior AZ-AM Dec. No. 6709:
158	TOTAL					\$	17,895	
159	575245	16	40713015 NAWC-Washington DC	NAWC 2004 Dues Lobbying	\$ 3,928.00			Expenses Denied In Prior AZ-AM Dec. No. 6709:
160	TOTAL					\$	3,928	
161	575270	16	40651858 Georgeson, Duane L-DIRECTOR FE 4th Qtr.Adjustment - 2003		\$ 750.00			Not Required For Provisioning Of Service
162	575270	16	40651861 Georgeson, Duane L-DIRECTOR FE 1st Qtr.Retainer 2004		1,000.00			Not Required For Provisioning Of Service
163	575270	16	40658784 Georgeson, Duane L-DIRECTOR FE Board Mtg.Fees 10/23 + 12/18		1,000.00			Not Required For Provisioning Of Service
164	575270	16	40721764 Georgeson, Duane L-DIRECTOR FE 2nd Qtr Retainer 2004		1,000.00			Not Required For Provisioning Of Service
165	575270	16	40721767 Duque, Henry M	2nd Qtr Retainer 2004	1,000.00			Not Required For Provisioning Of Service
166	575270	16	40727826 Georgeson, Duane L-DIRECTOR FE Board Mtg. Fee (AZ) - 4/14/04		500.00			Not Required For Provisioning Of Service
167	575270	16	40727827 Duque, Henry M	Board Mtg. Fee - 4/14/04	500.00			Not Required For Provisioning Of Service
168	575270	16	40748924 Duque, Henry M	Retainer Fee: 1st Qtr.2004	1,000.00			Not Required For Provisioning Of Service
169	575270	16	40898750 Georgeson, Duane L-DIRECTOR FE Retainer Fees 3QRF		1,000.00			Not Required For Provisioning Of Service
170	575270	16	40898752 Georgeson, Duane L-DIRECTOR FE Retainer Fee 4th QTR 2004		1,000.00			Not Required For Provisioning Of Service
171	575270	16	40902100 Georgeson, Duane L-DIRECTOR FE AZ Brd Mtg Fees 10/18/04		500.00			Not Required For Provisioning Of Service
172	575270	16	40902100 Georgeson, Duane L-DIRECTOR FE AZ Brd Mtg Fees 7/14/04		500.00			Not Required For Provisioning Of Service
173	575270	16	40902101 Duque, Henry M	AZ Brd Mtg Fees 10/18/04	500.00			Not Required For Provisioning Of Service
174	575270	16	40902101 Duque, Henry M	AZ Brd Mtg Fees 7/14/04	500.00			Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(C) ACCOUNT DESCRIPTION	(D)	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
175	575270	16	40912867	Duque, Henry M	3rd QTR Retainer Fee	\$ 1,000.00		Not Required For Provisioning Of Service
176	575270	16	40912868	Duque, Henry M	4th QTR Retainer Fee	1,000.00		Not Required For Provisioning Of Service
177	TOTAL						\$ 12,750	
178	575271	16	40668018	Georgeson, Duane L-DIRECTOR FE	Phoenix Expenses	\$ 279.40		Not Required For Provisioning Of Service
179	575271	16	40721762	Duque, Henry M	Director Expenses	229.07		Not Required For Provisioning Of Service
180	575271	16	40729991	Duque, Henry M	Director's expenses 04/14/04	492.61		Not Required For Provisioning Of Service
181	575271	16	40748924	Duque, Henry M	Directors Expenses: 5/3-5/4	448.39		Not Required For Provisioning Of Service
182	575271	16	40825580	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Exp 07/20/04	166.11		Not Required For Provisioning Of Service
183	575271	16	40825581	Duque, Henry M	Brd Mtg Exp 07/20/04	509.24		Not Required For Provisioning Of Service
184	575271	16	40895943	Duque, Henry M	EXPENSES	811.98		Not Required For Provisioning Of Service
185	TOTAL						\$ 2,937	
186	575400	16	30125251	FASTR - YRENDACCRL 00023	Year End Accrual	\$ 8,201.03		Non-Typical, Non-Recurring Expense
187	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.80		Non-Typical, Non-Recurring Expense
188	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,339.70		Non-Typical, Non-Recurring Expense
189	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.80		Non-Typical, Non-Recurring Expense
190	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,339.70		Non-Typical, Non-Recurring Expense
191	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,641.99		Non-Typical, Non-Recurring Expense
192	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,498.63		Non-Typical, Non-Recurring Expense
193	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,632.56		Non-Typical, Non-Recurring Expense
194	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,509.47		Non-Typical, Non-Recurring Expense
195	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
196	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,509.47		Non-Typical, Non-Recurring Expense
197	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
198	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,509.47		Non-Typical, Non-Recurring Expense
199	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
200	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,509.47		Non-Typical, Non-Recurring Expense
201	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
202	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,509.47		Non-Typical, Non-Recurring Expense
203	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
204	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,510.18		Non-Typical, Non-Recurring Expense
205	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
206	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,510.18		Non-Typical, Non-Recurring Expense
207	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
208	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,510.18		Non-Typical, Non-Recurring Expense
209	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
210	575400	16	30028713	Amortize Customer Service Proj	Amortize Fin Serv Proj	4,510.18		Non-Typical, Non-Recurring Expense
211	TOTAL						\$ 105,120	

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(C) ACCOUNT DESCRIPTION	(D)	(E)	(F)	(G)	(H)
						RUCO ADJUSTMENT		RUCO EXPLANATION
212	575710	16	40674991	American Fence Company	MONTHLY RENT 01/09-02/08/04	\$ 176.22		Non-Typical, Non-Recurring Expense
213	575710	16	40683051	American Fence Company	cust #251255	176.22		Non-Typical, Non-Recurring Expense
214	575710	16	40692004	American Fence Company	ANTHEM 251255 1239876 AZAW	176.22		Non-Typical, Non-Recurring Expense
215	575710	16	40707333	American Fence Company	MNTHLY RENT 03/09 TO 04/08	176.22		Non-Typical, Non-Recurring Expense
216	575710	16	40732227	American Fence Company	RENTAL	176.22		Non-Typical, Non-Recurring Expense
217	575710	16	40757319	American Fence Company	TEMPORARY FENCE	176.22		Non-Typical, Non-Recurring Expense
218	575710	16	40768003	American Fence Company	CUST 251255	195.66		Non-Typical, Non-Recurring Expense
219	575710	16	40793920	American Fence Company	RENTAL OF TEMP FENCE	53.03		Non-Typical, Non-Recurring Expense
220	575710	16	40805484	American Fence Company	RENTAL	53.03		Non-Typical, Non-Recurring Expense
221	575710	16	40836294	American Fence Company	CUST 251255	53.03		Non-Typical, Non-Recurring Expense
222	575710	16	40855726	American Fence Company	RENTAL 9/9/04-10/8/04	53.03		Non-Typical, Non-Recurring Expense
223	575710	16	40886344	American Fence Company	RENTAL	53.03		Non-Typical, Non-Recurring Expense
224	575710	16	40880002	Sonitrol(Most Use)REMIT	SERVICES	174.06		Non-Typical, Non-Recurring Expense
225	575710	16	30169523	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 11	262.50		Non-Typical, Non-Recurring Expense
226	575710	16	30169523	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 11	-262.50		Non-Typical, Non-Recurring Expense
227	575710	16	40911237	American Fence Company	CUST #251255	53.03		Non-Typical, Non-Recurring Expense
228	TOTAL						\$ 1,745	
229	575720	11	40680037	OPS Systems-PO/REMIT	training days,t&l ex	\$ 3,426.17		Expense To Be Amortize
230	575720	11	210296	RAYMOND MAHONEY	CONTRACT TELCOM ENGINE	573.76		Expense To Be Capitalized
231	TOTAL						\$ 4,000	
232	575998	16	126727	DEAN LANDONI	THE HOME DEPOT	\$ 35.49		Not Required For Provisioning Of Service
233	575998	16	131670	LEE F HUDDLESTON	THE HOME DEPOT	12.36		Not Required For Provisioning Of Service
234	575998	16	131695	DOUG GRIFFITH	DANONE WATERS OF NORTH	36.83		Not Required For Provisioning Of Service
235	575998	16	136390	TIM FRIDAY	CIRCLE K	4.40		Not Required For Provisioning Of Service
236	575998	16	136394	TIM FRIDAY	CACTUS FLOWER FLORISTS	52.23		Not Required For Provisioning Of Service
237	575998	16	136406	ADAM SPARTZ	PIZZA HUT BULL	39.84		Not Required For Provisioning Of Service
238	575998	16	136439	BRIAN DIEGO	CORRAL WEST	125.00		Not Required For Provisioning Of Service
239	575998	16	139869	LARRY A BERRY	WAL MART	20.31		Not Required For Provisioning Of Service
240	575998	16	143173	AMY YATES	PAPA JOHN'S	164.60		Not Required For Provisioning Of Service
241	575998	16	143231	YGNASIO SAMARRIPA	THE HOME DEPOT	18.90		Not Required For Provisioning Of Service
242	575998	16	143243	TIM FRIDAY	BURGERMANIA	8.42		Not Required For Provisioning Of Service
243	575998	16	143267	TIM FRIDAY	ROMEN S GYROS	27.25		Not Required For Provisioning Of Service
244	575998	16	143310	JAMES A GROOMAN	ACE HARDWARE ANTHEM	12.73		Not Required For Provisioning Of Service
245	575998	16	143314	MIKE MASSON	PAUL S ACE HARDWARE	73.86		Not Required For Provisioning Of Service
246	575998	16	146921	KARL WILKINS	BEST BUY	162.14		Not Required For Provisioning Of Service
247	575998	16	150223	FRANK RIOS	SAN DIEGO PIER CAFE	77.61		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
248	575998	16	150230 JAMES ISHMAEL	PILOT TRAVEL CENTER	\$ 4.93		Not Required For Provisioning Of Service
249	575998	16	150235 BLAINE AKINE	HARBOR HOUSE RESTAURAN	60.38		Not Required For Provisioning Of Service
250	575998	16	150256 ROBERT GARCIA	WM SUPERCENTER SE	6.27		Not Required For Provisioning Of Service
251	575998	16	150264 CHARLES WILKINS	RADIO SHACK	4.29		Not Required For Provisioning Of Service
252	575998	16	159067 MIKE MASSON	THE HOME DEPOT	134.58		Not Required For Provisioning Of Service
253	575998	16	159095 CHARLES WILKINS	THE HOME DEPOT	18.47		Not Required For Provisioning Of Service
254	575998	16	159104 YGNASIO SAMARRIPA	LOWE'S	83.39		Not Required For Provisioning Of Service
255	575998	16	162287 DEAN LANDONI	FOOD CITY #108 STP	30.00		Not Required For Provisioning Of Service
256	575998	16	165216 SHAWNTEL QUALLS	TARGET	66.62		Not Required For Provisioning Of Service
257	575998	16	168706 DEAN LANDONI	FOOD CITY #108 STP	30.00		Not Required For Provisioning Of Service
258	575998	16	175571 ROBERT GARCIA	THE HOME DEPOT	-53.90		Not Required For Provisioning Of Service
259	575998	16	175607 MIKE MASSON	JR PERKINS	236.95		Not Required For Provisioning Of Service
260	575998	16	192526 ROBERT L CRON	HOLIDAY INNS	200.22		Not Required For Provisioning Of Service
261	575998	16	192578 CHARLES WILKINS	ACE HARDWARE	3.37		Not Required For Provisioning Of Service
262	575998	16	192579 ANITRIA HAIRSTON	1-800-FLOWERS.COM,INC.	75.75		Not Required For Provisioning Of Service
263	575998	16	195663 MIKE MASSON	THE HOME DEPOT	42.48		Not Required For Provisioning Of Service
264	575998	16	195685 MIKE MASSON	THE HOME DEPOT	47.95		Not Required For Provisioning Of Service
265	575998	16	203088 AARON L ASHCROFT	FLAMINGO LAUGHLIN	33.64		Not Required For Provisioning Of Service
266	575998	16	210392 DANIEL V ZAMORA	STREETS OF NEW YORK	59.36		Not Required For Provisioning Of Service
267	575998	16	213683 MIKE MASSON	BASHA S 16 SYW	2.01		Not Required For Provisioning Of Service
268	575998	16	217332 JAMES A GROOMAN	ACE HARDWARE ANTHEM	38.87		Not Required For Provisioning Of Service
269	575998	16	217365 ROVELL L FOGGY	GOLDEN WOK RESTAURANT	30.00		Not Required For Provisioning Of Service
270	575998	16	220370 KRAIG R KNIGHT	SOUPER SALAD	20.96		Not Required For Provisioning Of Service
271	575998	16	220370 KRAIG R KNIGHT	SOUPER SALAD	20.96		Not Required For Provisioning Of Service
272	575998	16	223880 VIVIEN TOBER	STREETS OF NEW YORK	24.53		Not Required For Provisioning Of Service
273	575998	16	226985 CHARLES WILKINS	RADIO SHACK	11.13		Not Required For Provisioning Of Service
274	575998	16	226986 CHARLES WILKINS	THE HOME DEPOT	10.55		Not Required For Provisioning Of Service
275	575998	16	227012 RAYMOND MAHONEY	EL PALOMAR MONTEREY	16.62		Not Required For Provisioning Of Service
276	575998	16	227015 RAYMOND MAHONEY	EL PALOMAR MONTEREY	24.13		Not Required For Provisioning Of Service
277	575998	16	227020 RAYMOND MAHONEY	EASY MART II	20.00		Not Required For Provisioning Of Service
278	575998	16	227021 RAYMOND MAHONEY	MONTEREY DWN TRAVELODG	261.80		Not Required For Provisioning Of Service
279	575998	16	227051 JAMES TAYLOR	TUBAC JACKS	22.00		Not Required For Provisioning Of Service
280	575998	16	227052 JAMES TAYLOR	CRACKER BARREL	25.00		Not Required For Provisioning Of Service
281	575998	16	227057 KARL WILKINS	CHARLIE BROWNS	34.59		Not Required For Provisioning Of Service
282	575998	16	227057 KARL WILKINS	CHARLIE BROWNS	34.59		Not Required For Provisioning Of Service
283	575998	16	227057 KARL WILKINS	CHARLIE BROWNS	34.60		Not Required For Provisioning Of Service
284	575998	16	227063 KARL WILKINS	NEWARK INT'L AIRPORT	8.22		Not Required For Provisioning Of Service
285	575998	16	236926 KARL WILKINS	EXECUTIVE DAYS INN	219.68		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(C) ACCOUNT DESCRIPTION	(D)	(E)	(F)	(G)	(H)
						RUCO ADJUSTMENT		RUCO EXPLANATION
286	575998	16	237033	DALE E CONOVER	APPLEBEE'S	\$ 38.64		Not Required For Provisioning Of Service
287	575998	16	243498	ADAM SPARTZ	SAFEWAY STORE	10.14		Not Required For Provisioning Of Service
288	575998	16	246900	MARY MCREYNOLDS	THE HOME DEPOT	55.52		Not Required For Provisioning Of Service
289	575998	16	252966	DON BREEDING	WENDYS #1812 Q	8.26		Not Required For Provisioning Of Service
290	575998	16	253029	ROBERT C MANNING	THE RAVEN AT VERRADO	44.90		Not Required For Provisioning Of Service
291	575998	16	259260	ADAM SPARTZ	MINIT SERVE DAIRY	26.24		Not Required For Provisioning Of Service
292	575998	16	262421	RAYMOND MAHONEY	BEST BUY	20.49		Not Required For Provisioning Of Service
293	575998	16	262528	MICHAEL J CONLIN	THE HOME DEPOT	23.70		Not Required For Provisioning Of Service
294	575998	16	262568	DALE E CONOVER	RADISSON TUCSON CITY C	197.01		Not Required For Provisioning Of Service
295	575998	16	262587	ROBERT L CRON	STEVEN S DIAZ LAWN MAI	725.00		Not Required For Provisioning Of Service
296	575998	16	262592	BOBBI J TROUT	PARADISE BAKERY	256.04		Not Required For Provisioning Of Service
297	575998	16	262624	BOBBI J TROUT	LAQUINTA_PHOENIX	198.72		Not Required For Provisioning Of Service
298	575998	16	266428	ROBERT C MANNING	THE RAVEN AT VERRADO	31.59		Not Required For Provisioning Of Service
299	575998	16	266520	ROBERT GARCIA	WHISKEY PETE'S HOTEL&C	132.63		Not Required For Provisioning Of Service
300	575998	16	269817	SHIRLEY L WATKINS	DOUBLETREE HOTELS GSH	13.66		Not Required For Provisioning Of Service
301	575998	16	269818	SHIRLEY L WATKINS	DOUBLETREE HOTELS GSH	14.72		Not Required For Provisioning Of Service
302	575998	16	269820	SHIRLEY L WATKINS	PREFLIGHT ARIZONA	32.00		Not Required For Provisioning Of Service
303	575998	16	269821	SHIRLEY L WATKINS	DOUBLETREE HOTELS GSH	14.72		Not Required For Provisioning Of Service
304	575998	16	269883	THOMAS G WINTER	THE HOME DEPOT	60.27		Not Required For Provisioning Of Service
305	575998	16	273237	ADAM SPARTZ	SAFEWAY STORE	10.14		Not Required For Provisioning Of Service
306	575998	16	273252	CHARLES DONAT	WHISKEY PETE'S HOTEL&C	119.80		Not Required For Provisioning Of Service
307	575998	16	273295	DON BREEDING	COUNTRY CLUB DINER	18.48		Not Required For Provisioning Of Service
308	575998	16	273297	DOUG GRIFFITH	DILLONS RESTAURANT	18.68		Not Required For Provisioning Of Service
309	575998	16	273335	DON BREEDING	WINGATE INN VOORHEES	186.96		Not Required For Provisioning Of Service
310	575998	16	273336	DON BREEDING	LONE STAR-VOOR	71.14		Not Required For Provisioning Of Service
311	575998	16	273342	DANIEL V ZAMORA	MACAYO'S SURPRISE	80.00		Not Required For Provisioning Of Service
312	575998	16	273385	DON BREEDING	SIDE STREET CAFE	20.84		Not Required For Provisioning Of Service
313	575998	16	276707	ARTHUR W FAIELLO	THE RAVEN AT VERRADO	56.10		Not Required For Provisioning Of Service
314	575998	16	280297	ROBERT GARCIA	WALGREEN	7.86		Not Required For Provisioning Of Service
315	575998	16	280315	KARL WILKINS	DRURY INN & SUITES CRE	207.14		Not Required For Provisioning Of Service
316	575998	16	280329	KARL WILKINS	MCDONALD'S F25121 Q	3.79		Not Required For Provisioning Of Service
317	575998	16	280337	DOUG GRIFFITH	RIO MIRAGE CAFE	18.35		Not Required For Provisioning Of Service
318	575998	16	280360	ADAM SPARTZ	TRI-STATE ACE HOMECENT	7.05		Not Required For Provisioning Of Service
319	575998	16	280366	KARL WILKINS	BRISTOL BAR & GRILL	331.70		Not Required For Provisioning Of Service
320	575998	16	280367	KARL WILKINS	ROBATA OF JAPAN	14.52		Not Required For Provisioning Of Service
321	575998	16	280368	KARL WILKINS	ROBATA OF JAPAN	65.03		Not Required For Provisioning Of Service
322	575998	16	280377	KARL WILKINS	BRISTOL BAR & GRILL	131.03		Not Required For Provisioning Of Service
323	575998	16	280378	KARL WILKINS	APPLEBEE'S CRE	9.08		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(C) ACCOUNT DESCRIPTION	(D)	(E)	(F)	(G)	(H)
						RUCO ADJUSTMENT		RUCO EXPLANATION
324	575998	16	280380	MARK CARDOZA	HUACH TMAC	\$ 14.00		Not Required For Provisioning Of Service
325	575998	16	280382	KARL WILKINS	DRURY INN & SUITES CRE	344.92		Not Required For Provisioning Of Service
326	575998	16	280383	KARL WILKINS	DRURY INN & SUITES CRE	344.85		Not Required For Provisioning Of Service
327	575998	16	280400	KARL WILKINS	APPLEBEE'S CRE	12.78		Not Required For Provisioning Of Service
328	575998	16	280410	ADAM SPARTZ	SAFEWAY STORE	10.14		Not Required For Provisioning Of Service
329	575998	16	280411	KARL WILKINS	DRURY INN & SUITES CRE	114.95		Not Required For Provisioning Of Service
330	575998	16	280412	KARL WILKINS	DRURY INN & SUITES CRE	116.24		Not Required For Provisioning Of Service
331	575998	16	284124	MARK CARDOZA	YUMA COMFORT INN	78.92		Not Required For Provisioning Of Service
332	575998	16	287153	MELISSA SADOSKI	BASKIN ROBBINS/TOGO'S	5.60		Not Required For Provisioning Of Service
333	575998	16	287154	MELISSA SADOSKI	MACAYO'S CORP	502.41		Not Required For Provisioning Of Service
334	575998	16	287157	MELISSA SADOSKI	BEST BUY	64.85		Not Required For Provisioning Of Service
335	575998	16	287163	MELISSA SADOSKI	LONG JOHN SILV02800Q	13.82		Not Required For Provisioning Of Service
336	575998	16	287164	MELISSA SADOSKI	HERTZ RENT-A-CAR	232.51		Not Required For Provisioning Of Service
337	575998	16	287165	MELISSA SADOSKI	SKY HARBOR AIRPORT T	48.00		Not Required For Provisioning Of Service
338	575998	16	287166	MELISSA SADOSKI	WINGATE INN VOORHEES	186.96		Not Required For Provisioning Of Service
339	575998	16	287169	MELISSA SADOSKI	BEST BUY	313.45		Not Required For Provisioning Of Service
340	575998	16	287170	MELISSA SADOSKI	BEST BUY	11.34		Not Required For Provisioning Of Service
341	575998	16	287249	CHARLES WILKINS	THE HOME DEPOT	24.72		Not Required For Provisioning Of Service
342	575998	16	292503	AMY YATES	GIFT SERVICES INC	41.10		Not Required For Provisioning Of Service
343	575998	16	292572	HECTOR F DELGADILLO	ACE HARDWARE ANTHEM	10.59		Not Required For Provisioning Of Service
344	575998	16	292583	CHARLES WILKINS	ACE HARDWARE	18.25		Not Required For Provisioning Of Service
345	575998	16	292593	CHARLES WILKINS	ACE HARDWARE	21.25		Not Required For Provisioning Of Service
346	575998	16	292601	CHARLES WILKINS	ACE HARDWARE	3.88		Not Required For Provisioning Of Service
347	575998	16	292611	MARK CARDOZA	DAISY MAE'S STRONGHOLD	29.20		Not Required For Provisioning Of Service
348	575998	16	292614	MARK CARDOZA	SUN CANYON INN	71.39		Not Required For Provisioning Of Service
349	575998	16	292624	MARK CARDOZA	HUACH TMAC	14.00		Not Required For Provisioning Of Service
350	575998	16	299248	KRAIG R KNIGHT	LOWE'S	4.75		Not Required For Provisioning Of Service
351	575998	16	299319	DON BREEDING	THE OLIVE GARD	34.03		Not Required For Provisioning Of Service
352	575998	16	299335	DON BREEDING	GRILL AT RYAN RANCH	66.43		Not Required For Provisioning Of Service
353	575998	16	299341	DON BREEDING	7-ELEVEN	6.19		Not Required For Provisioning Of Service
354	575998	16	299344	DON BREEDING	BLUE FIN BILLIARDS	20.00		Not Required For Provisioning Of Service
355	575998	16	299348	DON BREEDING	MONTEREY JACKS FISH HO	49.33		Not Required For Provisioning Of Service
356	575998	16	299352	DON BREEDING	QUIZNOS SUBS	13.36		Not Required For Provisioning Of Service
357	575998	16	299361	DON BREEDING	SKY HARBOR AIRPORT T	80.00		Not Required For Provisioning Of Service
358	575998	16	299365	DON BREEDING	BEST WESTERN DE ANZA I	259.60		Not Required For Provisioning Of Service
359	575998	16	299370	DON BREEDING	LA BOHEME RESTAURANT	166.72		Not Required For Provisioning Of Service
360	575998	16	299408	TIM FRIDAY	LA QUINTA HOTEL	89.29		Not Required For Provisioning Of Service
361	575998	16	299409	TIM FRIDAY	LA QUINTA HOTEL	89.29		Not Required For Provisioning Of Service
362	575998	16	299440	DON BREEDING	JOHN ASCUAGA'S NUGGET	13.70		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
363	TOTAL				\$	9,642	
319	GRAND TOTAL OF RUCO'S ADJUSTMENT				<u>\$</u>	<u>224,545</u>	

References:

Columns (A) Thru (F): Company's Response To RUCO Data Request 7.04.b.
Column (G): Sum Of Column (F)
Column (H): RUCO's Explanation For Denying Expense

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 16
INCOME TAX EXPENSE**

(A)

LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	RLM-2, Col. (C), L38 + L35	\$ 1,467,636
	LESS:		
2	Arizona State Tax	Line 11	(76,216)
3	Interest Expense	Note (A) Line 19	(373,834)
4	Federal Taxable Income	Line 1 + Line 2 + Line 3	\$ 1,017,585
5	Federal Tax Rate	RLM-1, Page 2, Col.(A), L 9	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	<u>\$ 345,979</u>
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ 1,467,636
	LESS:		
8	Interest Expense	Note (A) Line 19	(373,834)
9	State Taxable Income	Line 7 + Line 8	\$ 1,093,801
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	<u>\$ 76,216</u>
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ 345,979
13	State Income Tax Expense	Line 11	76,216
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	<u>\$ 422,195</u>
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		215,705
16	RUCO Adjustment (See RLM-3, Page 4, Column (P), Line 35)	Line 14 - Line 15	<u><u>\$ 206,490</u></u>

NOTE (A):

Interest Synchronization:			
17	Adjusted Rate Base	RLM-1, Page 1, Col. (F), L1	\$ 10,898,953
18	Weighted Cost Of Debt	WAR-1, Col. (F), L1 + L2	3.43%
19	Interest Expense	Line 17 X Line 18	<u><u>\$ 373,834</u></u>